

Italy Leaders Consult On Government After Gorla Coalition Fails

ROME — President Francesco Cossiga of Italy began consultations with senior politicians Sunday to try to resolve the government crisis after the resignation of the three-and-a-half-month-old administration of Prime Minister Giovanni Gorla.

Mr. Gorla, 44, a Christian Democrat who took office July 28, submitted the resignation of his five-party coalition to Mr. Cossiga on Saturday after the small Liberal Party withdrew its support.

The presidential palace, using the standard formula, said Mr. Cossiga had reserved his decision on whether to accept the resignation and had asked Mr. Gorla to stay in office to look after unresolved government business.

Mr. Cossiga canceled a six-day state visit to Britain that was to have begun Tuesday.

Tax Cut at Issue

Roberto Suro of The New York Times reported from Rome:

Senior politicians said it was unclear whether a quick solution would be found by forming a new government without the Liberals or whether Italy faced a long political crisis that would produce major leadership changes.

The Gorla government collapsed just as it was trying to contend with economic problems, labor unrest and the establishment of an Italian naval presence in the Gulf.

The Liberals, who won 2.1 percent of the vote in national elections in June, announced Friday night that they would withdraw from the coalition after a week of negotiations aimed at resolving differences over the government's budget bill.

At issue was a revision of the bill that eliminated a proposed income tax cut to help lower the government's budget deficit. The Liberals maintained that the coalition's basic agreement on policy envisioned deficit reduction through cutting spending rather than increasing revenue.

The government's proposal was intended to bring Italy's 1988 borrowing requirement to \$84 billion,

from an estimated \$89 billion this year.

Several of Italy's top bankers and leading businessmen, as well as the major trade union federations, had also found fault with the limited deficit reduction program proposed by Mr. Gorla.

Cesare Romiti, managing director of Fiat, called the finance proposal "absolutely inadequate." Confindustria, an association of industrialists, warned that the budget deficit would speed a "very deep crisis" as a result of recent events in the world's stock markets. And Italy's three major labor federations called a four-hour general strike for Nov. 25 to protest the elimination of the income tax cut.

Some politicians wondered whether broader political designs were behind the collapse of the coalition of Christian Democrats, Socialists, Social Democrats, Liberals and Republicans.

Even without the Liberals, who represent conservative views, the four remaining parties could form a government with a comfortable majority in Parliament, but no major party leaders interviewed Sunday would commit themselves to that possibility.



Giovanni Gorla at a Christian Democrat meeting Sunday.

Iran and Iraq Report War Escalation

United Press International

MANAMA, Bahrain — Iraqi planes bombed a western Iranian village, and Iran shelved the Iraqi city of Basra on Sunday in a sharp escalation of fighting that left 17 civilians dead and 26 wounded, reports from both sides said.

A spokesman for the Iraqi armed forces in Baghdad said Iraqi planes attacked oil refineries at Gachsaran in the southwestern province of Khuzestan and in the western Bakhtaran Province, the official Iraqi News Agency reported.

Iraqi jets struck the village of Vermhang near the district capital of Kamyaran, about 50 miles (80 kilometers) east of the Iraqi border, the state-run Tehran radio said. The radio said seven persons

were killed in the Iraqi attack and 16 wounded, many of them women and children.

Iran said three Iraqi planes were shot down during attempts to bomb other civilian areas in southwestern Iran.

Tehran radio said one was downed by a surface-to-air missile outside Gachsaran and that the wreckage of the plane and the pilot's body were recovered.

The radio said that another Iraqi plane penetrated Iranian airspace over Bakhtaran Province, was hit by a surface-to-air missile and "exploded in the sky." A third plane identified as a Mirage F-1 also was downed in Bakhtaran, it said.

An Iraqi military spokesman denied the Iranian reports but acknowledged that one aircraft was missing.

The Iraqi News Agency said Iranian long-range artillery pounded the southern port city of Basra and Qasaba Sirwan overnight, killing 10 civilians, including a child, and wounding 10 others.

■ New U.S. Convoy Sails

The Pentagon said Sunday that U.S. warships had started their 18th escort of reflagged Kuwaiti tankers through Gulf waters. Reuters reported from Washington.

Czechoslovak Aide in Moscow

MOSCOW — Prime Minister Lubomir Strougal of Czechoslovakia arrived Sunday in Moscow.

Kuwait and Morocco Join Iraq and Emirates In Restoring Egypt Ties

By Youssef M. Ibrahim

New York Times Service

AMMAN, Jordan — Kuwait and Morocco have become the latest Arab nations to resume full diplomatic relations with Egypt, joining Iraq and the United Arab Emirates, which took similar steps last week.

Arab diplomatic sources said that Bahrain and Qatar were expected to follow suit, adding that Saudi Arabia may also join within a few weeks. Egypt already has ties with Jordan, the Sudan, Oman and Somalia, among the 21 members of the League of Arab States.

The move Saturday by Kuwait and Morocco followed a resolution approved during the four-day meeting of Arab heads of state that ended last Wednesday. Among other things, the meeting cleared the way for individual Arab nations to decide on restoring ties with Cairo, which was severed in 1979 following Egypt's signing of its peace treaty with Israel.

Arab diplomats here and in Egypt said the expansion of the seven-year-long war between Iraq and Iran, with Kuwait and Saudi Arabia providing heavy support for Iraq, was the main reason that Egypt was being welcomed back to Arab ranks.

The summit resolution stressed that this was necessary in view of past and future Egyptian contributions to the Arab cause, and because of its potential — a reference to Egyptian military might — at a time when several Arab countries are facing growing Iranian power.

"It is a family reunion," said the Egyptian foreign minister, Esmat Abdel Meguid, in a telephone interview from Cairo. "For our part, we consider that the coolness that existed in the past few years is no longer justified."

Egypt, with more than a quarter of the Arab world's population (about 50 million) and the largest standing army (500,000 fighting men), loomed here as the only counterweight capable of balancing the Iranian threat. Egypt is a substantial arms manufacturer and has each year since 1984 been sup-

plying Iraq with \$1 billion worth of ammunition and weapons.

Political analysts in Amman noted that the return of Egypt to Arab ranks reflected a new order of priorities for the Arab world that now sees as its principal threat Iran and not Israel.

Analysts also said the move underlines a fear that the United States, which protects many Gulf countries from Iran, may be pressured by domestic political considerations to withdraw its considerable fleet.

"It gives the Arab Gulf countries the military umbrella that is more dependable than the American umbrella," said Lahib Kamhawi, a political scientist here.

Arab officials said the deliberations among heads of state centered on the gradual integration of Egypt not so much with the intention of introducing Egyptian forces into the region but of adding "the strategic and demographic weight of Egypt to the Arab potential just in case it is needed," in the words of one Arab minister.

Kenya Police Disperse Riot, Hit Reporters

The Associated Press

NAIROBI — Kenyan policemen and paramilitary troops used tear gas Sunday against hundreds of students who stoned cars after the arrests of five student leaders. The police detained and beat four Western journalists who were covering the rioting.

The students said they were protesting the arrest of newly elected leaders of the university's student organization about midnight Saturday in their dormitories.

Riot troops moved in Sunday morning after students began stoning cars on Nairobi's main Uhuru Highway, and on University Way. Both streets border the main campus of the University of Nairobi.

The four Nairobi-based correspondents were held for three hours at Nairobi central police station but were not charged.

Lindsay Hills, correspondent of the British Broadcasting Corp., was beaten on her back with a baton as riot policemen pursued demonstrators on campus.

Patrick Moser, a reporter for United Press International, was repeatedly punched on the nose and ears and hit with a rifle butt on the back of his head as he was taken to the police station in a jeep with two other journalists.

Didrik Schanche of The Associated Press and Peter Meinert of Deutsche Presse-Agentur, the West German news agency, were hit with police batons and manhandled, but they were not seriously hurt.

The disturbances were some of the most serious on the university campus since Aug. 1, 1982, when students joined in rioting in support of rebel military officers who were attempting to overthrow President Daniel arap Moi.

Deportations Reported

Four U.S. missionaries have been deported from Kenya, a newspaper said on Sunday, as Mr. Moi assailed "undesirable" foreigners after stories in the Kenyan press on Saturday that a southern U.S. church was seeking funds from the Ku Klux Klan for the overthrow of Mr. Moi and other black African leaders regarded by American racists as threatening white rule in South Africa.

The press reports were based on copies of a letter to Klan members purportedly written by Kenneth Caswell of the Foscue Christian Church in Boone, North Carolina. Mr. Caswell denied in an interview that he wrote the letter.

Missionary sources said the letter was a forgery by a Kenyan who fell out with a family of American missionaries.

The Sunday Nation said two American couples — Bob and Dewey Maxine and Gene and Sherry Throops — had been deported.

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WORLD BRIEFS

Irish Catholic Bishops Condemn IRA

BELFAST (UPI) — Irish Roman Catholic Church leaders, reacting to the recent bombing that killed 11 persons in Northern Ireland, vehemently condemned the Irish Republican Army on Sunday.

In a message read at Masses throughout Ireland, bishops said, "In the face of the present campaigns of Republican violence the choice of all Catholics is clear: It is a choice between good and evil. It is a choice between organizations committed to violence or to remain in them. It is a choice to support such organizations or call on others to support them."

South African Leader Entered Angola

JOHANNESBURG (Reuters) — President Pieter W. Botha has recently visited southern Angola, where South African troops fight Angolan forces backed by the Soviet Union and Cuba, Defense Minister Magnus Malan said.

In an announcement Saturday to a gathering in Pretoria of the ruling National Party, General Malan said that Foreign Minister R.F. Botha, Education Minister Frederik W. de Klerk and Finance Minister Barend du Plessis had also visited the war zone. General Malan said the president was in southern Angola recently to show his "empathy, involvement and personal responsibility" for the South African military action in Angola.

South Africa says it lost nine soldiers in the past week helping Western rebels fight Angolan forces. It intervened after the Angolan Army, which is aided by Soviet officers and 35,000 Cuban troops, began an offensive against the rebel National Union for the Total Independence of Angola, known as UNITA.

Top-Level Philippine Rebel Is Seized

MANILA (AP) — Troops captured the second-ranking Philippine Communist leader Sunday in the most important arrest of a guerrilla figure since the party leader was apprehended last year. He is General Bayan Fabie, 46, was arrested at his mother's house 60 miles (100 kilometers) north of Manila.

Military sources said a force of 100 men, backed by armor, surrounded Mrs. Fabie's home. Philippine officials said he has been charged with subversion and was being held at a military base.

Mr. Fabie is the Communist Party's vice chairman and chairman of its military commission. He has played an important role in political assassinations, military sources said. The chairman of the Central Committee of the Communist Party, Rodolfo Salas, was arrested in Manila in September last year.

Bomb Hits Beirut American Hospital

BEIRUT (NYT) — A bomb hidden in a box of chocolates blew up in the American University Hospital in West Beirut Saturday, killing 7 persons and wounding 31, the police said.

The blast was the second challenge to Syrian control in West Beirut within four days. A bomb hidden in a briefcase killed 6 people and wounded 73 at Beirut International Airport on Wednesday. No one claimed responsibility for either bombing.

As in the earlier explosion, the latest bomb was carried by a woman who was killed by the blast. Security officials speculated that the women in both bombings had been drugged. Witnesses said the explosion had torn apart a crowded cashier's office where people were gathered to pay the bills of relatives.

Kim Dae Jung Asks for Calm at Rallies

TAEGU, South Korea (UPI) — Kim Dae Jung, a presidential candidate, called Sunday for an end to violent clashes between supporters of the two major opposition party nominees, but the plea was ignored by hundreds who fought as he spoke.

Disruptions at political rallies only "help the military dictatorship," Mr. Kim said after supporters of the rival Kim Young Sam attempted to prevent him from addressing 50,000 people. The rally was held in Kim Young Sam's home province.

Kim Dae Jung made his bid for peace a day after Kim Young Sam was jeered and pelted with rocks and eggs in Kwangju, a political stronghold of Kim Dae Jung. The elections are scheduled for Dec. 16.

French to Finish Runway in Antarctica

PARIS (AFP) — France is to resume work on a runway in the Antarctic, the minister of overseas departments and territories, Bernard Pons, has announced. He emphasized that steps had been taken to minimize damage to the area's environment.

Mr. Pons said work on the 3,600-foot (1,100-meter) runway at Tern Adélie, which was interrupted in 1984, would resume immediately and would last for about five years at a cost of 100 million francs (\$18 million).

For the Record

Chinese and Indian negotiators began talks Sunday in New Delhi aimed at solving a border dispute that has strained their relations since a frontier war in 1962. (AP)

The United States may make a legal challenge to what it called the "morally wrong and politically damaging" decision by a military judge in El Salvador to free suspects in the 1985 slayings of six Americans. U.S. officials said Saturday. (AP)

Two explosions that ripped through a chemical plant owned by Celanese Corp. Saturday in Pampa, Texas, killed three workers, injured 37 and ignited a fire that produced hazardous fumes, authorities said. (UPI)

Three persons were killed in Bombay and at least 30 injured during a stum fire that left 10,000 homeless, officials said Sunday. (AP)

TRAVEL UPDATE

Ground workers at the international airport in Rio de Janeiro voted Friday to accept a 30-percent pay increase and end a strike that had created chaos for travelers. (AP)

The Prado Museum in Madrid, which houses one of the world's best art collections, reopened Saturday at the end of an 11-day strike, officials said. (UPI)

This Week's Holidays

Banking hours and government services will be closed or curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Colombia.
TUESDAY: Zaire.
WEDNESDAY: Haiti, Morocco, Oman, West Germany.
THURSDAY: Belize, Mali, Monaco, Oman, Puerto Rico.
FRIDAY: Mexico.

Source: Morgan Guaranty Trust Co., Reuters.

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U.S. Airlines Learn New Tricks, Like Telling Truth

By Martha M. Hamilton
Washington Post Service

WASHINGTON — Some U.S. airlines have discovered a simple way to improve their on-time performance: They have started telling the truth about flight times.

American Airlines, for example, has added 39 minutes to its scheduled flying time for flight 75 from Washington to Los Angeles, providing passengers with a more realistic estimate of when they might actually arrive. What once was a flight scheduled to take 4 hours and 55 minutes is now scheduled for 5 hours and 34 minutes.

Such moves are among a number of changes made by carriers recently in an effort to improve performance after growing public indignation over the state of air travel.

Earlier this month the U.S. Transportation Department released its first consumer guide to airline performance, comparing major airlines in terms of schedules and baggage handling and noting which airlines received the most passenger complaints.

The department's decision in September to require the airlines to report performance data was clearly designed in part to head off tougher action by Congress.

Critics of the department found fault with the consumer guide, but the prospect of having to account for performance appears to have had a tonic effect on airlines.

In the past two months, passenger complaints have dropped 50 percent, and in October, flight delays calculated by the Federal Aviation Administration, on a different basis from the Transportation Department figures, dropped 45 percent from October 1986.

Some critics said the department's report should have been more comprehensive, including delays for mechanical reasons, for instance. Department officials argue that including mechanical delays in the ratings might tempt airlines to take short cuts on repairs.

The airlines are quick to point out that problems beyond

their control contribute to delays. Weather accounts for about 70 percent of delays, for instance. Another major culprit, airline officials say, is the air-traffic control system, which employs 2,500 fewer full-performance controllers than it did in 1981 despite a tremendous increase in traffic.

Still, it is clear that once the airlines felt pressure from the

Once the airlines felt pressure from the public, Congress and the government, they found ways to improve performance.

public, Congress and the Transportation Department, they found ways to improve performance, officials said.

"Their mind was off the store for awhile," said Matthew V. Scoozza, assistant secretary of transportation for policy and international affairs.

One key to improving on-time performance was in the schedule changes the airlines made. American said it adjusted schedules for about 1,500 of its 2,000 flights to reflect actual times more closely.

Airlines had an incentive to shrink flight times reported in airline schedules because computerized reservation systems listed the shortest flights first, until July when the department ruled that the shortest flight time would no longer mean priority in the listings.

American and other airlines also added gate personnel to improve on-time performance for flights that are usually full or almost full.

"One of the key reasons for delay is late passenger processing," an American spokesman said. "We provided additional manning on flights that are booked at heavy levels

so we could take care of that high level of activity in the last 10 minutes or so, so we could get people on and close the doors on time."

Once on board, passengers have found themselves being urged by flight attendants and even pilots to take their seats so that flights can take off. The aviation administration requires that all passengers be seated, with seat belts fastened, before an airplane can begin to move.

The Transportation Department has pointed out throughout the year that airlines have scheduled more departures than airports can handle at certain popular times. Mr. Scoozza said that in one intensely competitive market, 22 flights were scheduled to depart in a single minute.

American, Delta Air Lines, United Airlines, USAir, Continental Airlines and Eastern Airlines agreed in August, under pressure from the department, to modify schedules at the main Atlanta, Dallas-Fort Worth, Chicago and Boston airports to spread out traffic more realistically. Airlines have done so in other markets as well.

Continental, which was at the top of the consumer complaint charts for months earlier this year, began keeping "hot spares" available at key airports. "Hot spares" are extra airplanes with crews ready to go in case an aircraft does not arrive or develops problems once it has landed.

Some of the changes made to improve performance were simpler.

American found, for instance, that computerized seat assignments had some drawbacks when it came to efficient boarding: If passengers who received advanced seat assignments did not show up, leaving seats to be assigned to waiting customers, gate crew did not know the seats were vacant until a flight attendant on board reported back.

So the airline resumed using airline seating charts with seat-number stickers. Now passengers pick up stickers when they board, and gate attendants know by looking at the chart which seats are available for standby passengers.

U.S. Marines Shift North Away From Sensitive Job

By Walter Pincus
Washington Post Service

WASHINGTON — The U.S. Marine Corps transferred Lieutenant Colonel Oliver L. North out of the job of coordinating a yearlong classified study on the future of the corps last month and gave him a position involving less sensitive information, according to sources.

The navy withdrew the 24-hour security detail provided by the Naval Investigative Service although the former National Security Council staff aide's personal protection has continued with privately funded guards, they said.

These steps were taken, the sources said, at about the time that the Defense Department received inquiries about Colonel North's status and his access to classified material from the media and congressional staff.

Immediately after Colonel North was dismissed from the White House staff on Nov. 25 and returned to Marine Corps supervision, the House Armed Services Committee staff was told that he would be given a noncontroversial job "in personnel" on the marine commandant's staff, according to House of Representatives sources. Instead, he was assigned to plans and operations.

In the summer, after his public testimony before the House and Senate committees investigating the Iran-contra affair, Colonel North served as chief coordinator of "Marine 2018," a long-range plan looking at the corps' next 30 years, evaluating threats and capabilities and preparing the future roles and missions of the marines, according to marine sources who asked not to be identified.

Colonel North's deputy on the project was Lieutenant Colonel Robert L. Earl, his deputy on the NSC staff. Colonel Earl also was taken off the project last month, sources said. A source at Marine Corps headquarters said this week that Colonel Earl recently had been transferred to the Marine Development Center at Quantico, Virginia. Colonel Earl, contacted at a Quantico office, refused to comment.

A spokesman for the Marine Corps refused to discuss Colonel North's past or current duties, saying that it was "not appropriate to comment on the specific assignment of an individual worked on." He described "Marine 2018" as "an operations plan" and added, "Specific details are classified."

Colonel North is eligible to retire from the marines on May 1, after 20 years of service, and is expected to do so, according to former colleagues.

The report of the Iran-contra committee, to be released Tuesday, is expected to be particularly tough on Colonel North for turning classified materials over to individuals who had no security clearances, destruction of classified records involved in the Iran-contra affair, and taking some top-secret material home without authority.

U.S. Is Said to Investigate Ginsburg's Past Conduct

By Mary Thornton
and Ruth Marcus
Washington Post Service

WASHINGTON — The Justice Department has begun an inquiry to determine whether an independent counsel should be appointed to pursue allegations of misconduct by Judge Douglas H. Ginsburg while he was a high-ranking government official, according to Justice Department sources.

The sources said the inquiry by the Justice Department's Public Integrity Section would include examination of whether Judge Ginsburg violated U.S. conflict-of-interest laws while he was an assistant attorney general in charge of the Antitrust Division from 1985 to November 1986.

The "threshold" inquiry could lead to a formal, 90-day investigation and then, if the evidence warrants it, to appointment of an independent counsel under the terms of the 1978 Ethics in Government Act.

Judge Ginsburg withdrew from consideration for appointment to the Supreme Court on Nov. 7, following his acknowledgment that he had smoked marijuana as recently

as 1979 while a professor at Harvard Law School.

Questions also have been raised about his handling at the Justice Department of matters involving the cable television industry at the same time he had an investment of almost \$140,000 in a Canadian cable television company that does business in the United States.

It could not be determined Friday whether the inquiry was restricted to the cable-television issues, whether it was limited to conflicts-of-interest allegations, or whether it involved his actions while he was a senior official at the Office of Management and Budget, before becoming an assistant attorney general.

Sources said that the inquiry did not involve Judge Ginsburg's drug use.

On a questionnaire submitted to the Senate Judiciary Committee when he was nominated to the U.S. Court of Appeals in the District of Columbia in 1986, Judge Ginsburg said that he was the "principal draftsman" of the Justice Department's brief in a Supreme Court case involving the First Amendment rights of cable operators.

AMERICAN TOPICS

How to Encourage 'Aliterates' to Read

The Library of Congress has designated 1987 as "The Year of the Reader," with emphasis on "aliterates" — people who know how to read, but don't. Accordingly, Library Journal has asked 36 first novelists how to convince nonreaders "that reading is well worth their time." Some replies:

C.J. Hibbel ("American Beauty"): When you read a book, your own mind conjures up pictures more colorful, more exciting, more intimate than anything a TV program possibly could.

Charles Gill ("The Boozier Challenge"): Mark Twain said that the man who doesn't read has no advantage over the man who can't, and I tend to agree.

L.S. Whiteley ("Deadly Green"): How would a blind man feel if he heard that there were people who could see but refused to open their eyes?

Katharine Stall ("Den of Thieves"): If you can read but don't, you're a little like the people who go around with their hearing aids turned off. You'll avoid all the boring stuff, but you'll also miss the news that somebody loves you or your pants are on fire.

Damian Musello ("Mystic Lakes"): Novels today are either intellectually airtight, or intelligent but as exciting a watching snail practice their vertical jump.

Edward Phillips ("Sunday's Child"): Perhaps the best way to encourage this hypothetical aliterate to read is by handing him a jug of wine, a loaf of bread and the novel in question.



A HEARTY CELEBRATION — For the 25th anniversary of the Texas Heart Institute in Houston, 103 heart transplant recipients — nearly all from the United States — got together for a party. Since 1962, the institute has performed more than 67,000 open heart operations, 176 transplants and thousands of other heart procedures.

wine, a loaf of bread and the novel in question.

Short Takes

Variety, the weekly bible of show business, has moved from a dilapidated storefront off Times Square to a glass and steel skyscraper on Park Avenue South. The paper was founded in 1905, and since 1919 it had occupied the same quarters, now surrounded by vast construction projects.

"The neighborhood is just too crazy now," said Syd Silverman, the publisher, whose grandfather started the paper. It was sold last summer to a British conglomerate. Variety either invented or popularized such words as balcony, chick, moppet, psychosis and sitcom.

More than 75,000 bonds issued by the Confederate States of America during the Civil War have been found in a London vault where they were placed in storage in 1920. The bonds have a total face value of about \$60 million. Descendants of the original trustees only recently rediscovered them. Sotheby's auction house plans to sell the bonds in one lot in London on Nov. 24. It estimates their current value at \$220,000 (\$390,000).

Even when turned off, most hair dryers still circulate a current strong enough to kill. In the past 10 years, 172 persons have been electrocuted when hair dryers that were turned off fell into sinks or bathtubs filled with water. Most of the victims were children. Now Underwriters Laboratories Inc., a nonprofit safety and testing laboratory, has ruled that to

carry the UL label, hair dryers must pass an immersion test. Dryers that are plugged in but turned off must not release dangerous levels of current.

Notes About People

Why did former Governor Charles S. Robb of Virginia decide to run for the Senate, although he had been widely mentioned for the national Democratic ticket? One reason, The New York Times reports, is that "victory in the Senate race seemed his for the asking, certainly not the case in a presidential or vice-presidential race."

Another reason is that "friends say his father-in-law always told him that being vice president was a miserable job." The father-in-law of Mr. Robb, 48, was Lyndon B. Johnson, who was vice president for nearly three years before becoming president after the assassination of John F. Kennedy.

Senator Bob Dole's formal entry into the presidential race means the Kansas Republican will no longer have time for "Face-Off," his daily two-minute radio debate with Senator Edward M. Kennedy, Democrat of Massachusetts. Senator Dole is to be succeeded by Senator Alan K. Simpson of Wyoming, the minority whip. "Let me say thanks for the memories," Mr. Dole told Mr. Kennedy. "There's life after a presidential campaign," Mr. Kennedy replied. He invited Mr. Dole back to the program after the 1988 election so that "we can discuss the incoming Democratic administration."

—ARTHUR HIGGEE

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Nicaraguan Troops Wage Major Offensive Against the Contras

By William Branigan
Washington Post Service

MANAGUA — While President Daniel Ortega Saavedra talked peace in Washington, the Sandinista Army has been waging a major offensive against U.S.-backed rebels in northern, central and southern Nicaragua.

The offensive began after Mr. Ortega announced earlier this month the suspension, effective Nov. 7, of unilateral cease-fires declared a month before in three zones.

In a speech Nov. 5, Mr. Ortega said that Sandinista forces would deal with the rebels "with billy clubs and bullets."

A fourth cease-fire zone, in Nicaragua's sparsely populated Atlantic Coast region, was unaffected. Western observers said the Sandinistas appeared to be trying to dismantle the rebel movement through a combination of peace initiatives designed to cut off U.S. aid, an amnesty program aimed at winning down their numbers, and battlefield actions to deplete their supplies.

The current offensive is seen as an effort to get the rebels, commonly known as contras, to use up ammunition and material.

When the truce was lifted, Sandinista officials said the contras had used the cease-fire zones to receive air drops of supplies.

Since a \$100 million U.S. aid package expired Sept. 30, the Reagan administration has received congressional approval for \$6.7 million in nonlethal aid for the contras. But it has put off until next year a request for \$270 million in new aid to give the Central American peace accord a chance.

Under the accord, Mr. Ortega initiated indirect cease-fire negotiations with contra leaders Friday in Washington, handing an 11-point proposal to an intermediary, Cardinal Miguel Obando y Bravo, the archbishop of Managua.

Meanwhile, Sandinista-controlled radio stations reported Friday that the Sandinista Popular Army was attacking the contras in the northern provinces of Fomesa, Nueva Segovia, Madriz and Esteli, the central provinces of Matagalpa and Boaco, and a southeastern region that includes Chontales Province and part of Zelaya Province.

Reagan Cites Delays

On Saturday, a day after the Nicaraguan government offered its cease-fire proposal to the contras, President Ronald Reagan accused the Sandinistas of dragging their feet. The New York Times reported from Washington.

He said Managua was not abiding by the peace accord's call for ending states of emergency in Central America.

"The Communists in Nicaragua refuse to lift their state of emergency," he said, while "the democracies of El Salvador and Guatemala, countries that are also torn by violence, make no excuses and have no states of emergency."

Mr. Ortega said Friday that he would lift the state of emergency only after all the contras had laid down their arms under a cease-fire and the contra bases in Honduras had been emptied.

Meanwhile, in Miami, Cardinal Obando y Bravo expressed guarded confidence about the prospect for success of the peace efforts in Nicaragua. He said Saturday that he expected formal cease-fire negotiations between the Nicaraguan government and the anti-Sandinista guerrillas to begin before Dec. 5.

In Mexico City, Mr. Ortega said Saturday that Nicaragua had agreed to accept a four-member team of U.S. mediators following a request by the cardinal for experienced advisers. The four are Paul C. Warnke, a veteran negotiator; Ed King, a retired colonel who has studied Central American armies; Wilson Morán, an aide to Jim Wright, speaker of the House of Representatives, who recommended the team; and Richard Pena, who has worked with the speaker on Central American matters.

Honduran Backing for Contras in Doubt

By James LeMoyné
New York Times Service

TEGUCIGALPA, Honduras — Airstrips in Honduras are still being used to supply Nicaraguan guerrillas, but continued government support for the rebels is no longer certain, according to Honduran political analysts and several diplomats here.

Backing the Nicaraguan guerrillas, or contras, is becoming more and more costly politically for Honduras, now that a regional peace treaty calls for a cutoff of outside aid to rebel groups.

The Honduran government is both vulnerable to pressure from Washington, upon whom it depends for aid, and hostile to the Sandinistas in Nicaragua. Up to now Honduras has held fast in supporting the contras, following a policy, which Washington backs, of demanding major political changes in Nicaragua in return for depriving the rebels of their bases.

But as pressure has grown on Honduras, army officers and politicians have begun to recalculate whether the contras are still worth supporting, according to Honduran politicians and diplomats. For the first time, they say, signs of strains have appeared within the governing alliance of army officers and civilians.

"The situation has never seemed so tenuous," said a Western diplomat who monitors the Honduran government and the Nicaraguan rebels. "This could all begin to change very quickly in the next month or so."

The regional treaty signed Aug. 7 by Honduras, Guatemala, El Salvador, Nicaragua, and Costa Rica calls for increased democratization, negotiated cease-fires in guerrilla wars, amnesty and an end to outside aid and the use of territory to assist rebel groups.

Honduras has been slow in applying its provisions. It has done almost nothing to carry out the internal political reconciliation called for in the treaty, and so far has refused to close contra bases inside the country.

Although Honduras has established a reconciliation commission as called for in the treaty, that body so far has publicly discussed neither the presence of contra bases in Honduras nor the suspected leftists who have disappeared after being taken by the army.

Achieving progress under the treaty is made difficult by the way political power is exercised in Honduras. For the most part, power resides with the U.S. Embassy and perhaps 100 army officers, politicians, and business executives.

Although the government is formally democratic and elected, the army appears to be the chief source of political power. All important political decisions are debated by a group of top army officers.

Their decisions are then expressed in the de facto governing body of the country, the National Security Council, where the president and two other civilians are outnumbered by as many as six army officers.

The overwhelming American influence in Honduras has not improved life significantly for most Hondurans nor has it always controlled headstrong army officers.

In the last six years, the United States has given Honduras more than \$1 billion of economic and military aid. Yet, the country remains one of the three poorest in the hemisphere (with Haiti and Bolivia), with rampant corruption and no sense of national purpose.

The United States deals directly with army commanders, bolstering their power even while claiming that the objective of U.S. policy is to establish a lasting civilian democracy.

The United States has held continuous military exercises here since 1983, constructed at least nine combat airstrips, built camps for the contras, placed up to 1,200 U.S. soldiers here on a almost permanent basis, signed a special security pact with Honduras and, most recently, agreed to give \$75 million in advanced F-5 jet fighters.

Such spending has given the United States tremendous political clout, helping to keep the program of supplying the contras alive and making Honduras the only card Washington has left to affect the regional peace treaty.

Honduras also appears to back the contras because the Honduran president, José Azcona Hoyo, is a strong opponent of the Sandinista government. Opinion polls suggest the Hondurans are conservative people who believe that Nicaragua is a threat and that the contra cause is legitimate, so long as the rebels stay in Honduras and do not return to Nicaragua.

Mr. Azcona's support for the contras would be of little value were it not backed by army officers whose motives appear to be less politically pure. Several have made hefty profits from supplying food and equipment to the contras, and from bribes, according to diplomats. Honduran officials and politicians.

As a result, the army's continued support for the rebels is not certain. It could be affected by a setback in U.S. aid next year, which would reduce the largesse the army has grown accustomed to. If the army shifts, most diplomats and Honduran political analysts say, Mr. Azcona will crumble, too, sinking the contras for good.

Such concerns have U.S. diplomats putting their fingers in the wind to see how long it may blow in the contras' direction.

Honduras faces an imminent visit from an international verification commission established by the treaty. Its itinerary promises to include a handful of contra bases that the commission is likely to demand be closed.

That prospect has led to steps to conceal the presence of the contras in Honduras. Last week, the contra press spokesmen closed their offices and left for Miami because the government ordered them out.

Rebel camps are also being gradually reduced to a minimum level of operation that can be quickly extinguished during the week that the international verification commission visits, according to diplomats and Honduran politicians who monitor the rebels.

Moscow Lets Nureyev Visit Sick Mother

By Francis X. Clines
New York Times Service



Rudolf Nureyev at Sheremetyevo Airport in Moscow on Saturday after obtaining permission to visit his mother.

MOSCOW — Rudolf Nureyev, the ballet star who defected from the Soviet Union 26 years ago, returned home for the first time Saturday under an unusual two-day visa that will allow him to see his mother, who is ill.

"I believe the human spirit will win eventually," he said, explaining why he felt Soviet officials had decided to permit his entry. He last saw his mother before his defection in 1961, when at the age of 23 he was one of the ranking ballet dancers of the world.

Defection is a treasonous crime in the Soviet Union, and authorities have rarely shown such consideration to citizens who renounce the homeland and need to return for a family emergency. There was no immediate explanation from Soviet authorities about why the visa was issued.

Mr. Nureyev speculated that "very possibly" Mikhail S. Gorbachev, the Soviet leader, was instrumental in permitting his return.

The dancer, who has been artistic director of the Paris Opera Ballet for four years and is its resident star, said Mikhail Baryshnikov, the dancer who defected in Canada in 1974, was greatly interested in the visit and would be telephoning him

for a report on this glimpse at their homeland.

"I'm well, I'm happy, I'm excited to be here," said Mr. Nureyev, 49, who is now a citizen of Austria. "It was in the cards, inevitable."

Mr. Nureyev was besieged in the lobby of the Moscow airport by autograph-seekers and he patiently obliged each.

He stood lit by television lights, exchanging greetings with travelers in Russian, French and English as he waited for a car to take him to a flight to Ufa, about 700 miles (1,100 kilometers) east of Moscow, where his mother and sisters live.

Mr. Nureyev was asked his opinion of the Gorbachev leadership.

He paused, smiled and referred to Joseph Brodsky, the Soviet-born poet and Nobel laureate who lives in the United States: "I believe Mr. Brodsky said, 'I would rather have him at the head of government.'"

Mr. Nureyev would not otherwise discuss politics, but in response to questions he said he would welcome the chance to dance again in his homeland.

"Whatever is left in me of dancing, yes, I would love to show it here," he said. Soviet officials have made no mention of Mr. Nureyev's return, nor has it been mentioned in the official press.

WRIGHT: Relations Are Sour

(Continued from Page 1)

personal basis," said Mr. Wright, a Texas Democrat. "But the minute the subject gets on to anything of substance, he claims up and wants to recite the shibboleths that form his ideological matrix."

The relationship between a speaker and a president is one of the critical connections and is even more important when the Congress and the presidency are controlled by different parties.

"It's potentially a very productive relationship, given the institutional position of the two people," Mr. Wright said. "Or it could be very disruptive."

White House aides say one reason the bargaining over a budget-reduction program has moved slowly is suspicion in the administration that Mr. Wright will back out of the talks at the last moment and accuse the Republicans of trying to cut domestic programs, particularly Social Security.

Mr. Wright is determined to make his mark, and even before he took his post as speaker last January, he astounded and incensed some of his own supporters by advocating a tax increase. It was a policy many Democrats favored in private but shied away from in public, given the political risks involved.

The speaker ignored their fears and plunged ahead, much to the delight of Republican strategists. The White House sensed Mr. Wright's eagerness to be a major player in Washington and used the impulse in inviting him to join the Reagan-Wright plan for Central American peace talks in September.

But when President Ortega consulted Mr. Wright closely in Washington last week on a cease-fire proposal to the Nicaraguan rebels, the White House was furious about what the president's spokesman, Martin Fitzwater, called "personal negotiations."

At a news conference, the speaker fired back, "Whatever I have done has been by invitation." Referring to White House criticisms, Mr. Wright added: "I like to hope that we're on the same team."

Often, however, the speaker and the president have not been on the same team. And in Mr. Wright's view, the blame falls heavily on Mr. Reagan and his refusal to alter his basic ideological view of the world.

Friends say that in private, the speaker talks about the president with undiluted derision, accusing him of occupying a "never-never land" that is out of touch with reality.

Lagging Soviet Output Plagues Gorbachev Bid For Economic Reforms

Reuters

MOSCOW — The continuing shortcomings of Soviet industry and agriculture are presenting Mikhail S. Gorbachev with major problems in his drive for economic reform, and reform, according to Western analysts and the latest official figures on production.

The figures released over the weekend show that the growth of industrial production is well below that achieved in 1986 and that it has slowed even further in the past few months.

Nearly a third of industrial enterprises failed to meet production targets, according to the data published in the weekly economic magazine Ekonomicheskoye Obozreniye. Some of the worst performances were recorded in the machine-building industry, the focus of the modernization drive ordered by Mr. Gorbachev, the Soviet leader.

The Soviet grain crop, estimated at 210 million tons, or about the same as the harvest in 1986, is also well below the target of 232 million tons set for this year, partly because of heavy rain this fall.

Analysts say they believe that the initial effects of Mr. Gorbachev's campaign for worker discipline and his drive against corruption may have worn off and that more fundamental changes will be required to restore momentum.

A Soviet agriculture official, Viktor P. Nikonov, described the yields as "not bad," but he criticized farmers for failing to increase production.

"It must be seen that the tempo of agricultural production is still not meeting the demands of the June 1987 plenum of the Soviet Communist Party Central Committee," he was quoted as saying in an article in October in Pravda, the party's daily newspaper.

Western analysts say that bad weather is a major cause of the shortfall in agricultural production. However, some changes in agricultural practices ordered by Mr.

Gorbachev are being held up by a deep-rooted resistance among farmers, the analysts say.

Problems also result from inadequate provisions for storage, transport and processing of farm produce. As a result, vast quantities are wasted.

In a speech in Moscow in October, Mr. Gorbachev said, "The task of re-equipping the food industry has become now the most urgent affair."

According to the latest figures, Soviet industrial production rose by only 3.4 percent in the first 10 months of 1987.

This is sharply lower than the 5.1-percent increase in industrial output recorded in the same period in 1986 and is an indication that industry is unlikely to meet the 4.4-percent growth target set for the whole of 1987.

Analysts say that one cause of the decline in production is recent quality-control legislation, under which defective or substandard goods can be rejected and excluded from production figures.

They say, however, that the quantity of goods written off in this way was less than 0.1 percent of output, although an equivalent of 1.5 percent of production was returned for reprocessing.

Yeltsin Purge Continues

Continuing the purge of Boris N. Yeltsin, recently removed as Moscow party chief, a Soviet newspaper Sunday announced his removal from two municipal posts, United Press International reported.

On line 48 of a story about the 1987 socio-economic plan for the Soviet capital, the Moscow News reported that, "Comrade B.N. Yeltsin has been released from membership of the Moscow Soviet's Executive Committee."

In another mention at the bottom of Page 2, the paper said that Mr. Yeltsin had also been relieved of his duties as chairman of the municipality's Communist Party group.

U.S. Aide Warns Soviets To Change Rights Policy

United Press International

MOSCOW — U.S. Deputy Secretary of State John C. Whitehead warned Sunday that the Soviet Union must change its human rights policy if next month's summit meeting in Washington is to be a success.

Mr. Whitehead, here for meetings that will include a session Monday with Foreign Minister Eduard A. Shevardnadze, met Sunday at the U.S. Embassy with a group of Soviet citizens who have pressed their government unsuccessfully for permission to emigrate.

"Everyone we meet we talk about human rights," Mr. Whitehead told the group. "And we ask and ask and demand and demand every time we see them to let you out."

Although total emigration has risen sharply this year, the United States has expressed irritation with the Kremlin's continued refusal to let a number of Soviet citizens leave to join their U.S. spouses.

Although a dozen cases in which spouses were separated were settled last year, U.S. officials say only

three have been resolved this year and six are still outstanding.

"My assignment here is to help prepare for the summit," Mr. Whitehead said. He said that if Soviet officials want the summit meeting to be a success, "they must change their human rights policy."

Although Mr. Whitehead said he saw signs for hope, he added that he would be pressing Soviet officials Monday for further liberalization of the emigration policy.

The total number of Jews allowed to emigrate through the first 10 months of the year stands at 6,251, the highest number since 1981 and nearly seven times the number for all of last year.

However, the continuing problem of divided marriages was underlined by the presence of Sergei Petrov, 34, who has been trying since 1981 to emigrate to join his American wife, Virginia Johnson, 29, of Roanoke, Virginia.

Mr. Petrov, whose name has been on repeated U.S. submissions to the Soviet authorities, told Mr. Whitehead that last Friday he had again been refused permission to emigrate.

ERSHAD: Military Holds Sworn

(Continued from Page 1)

fruits of corruption to the army and government officials.

General Ershad denies the charges, and none have been proven. But critics say many officials and retired generals have become mysteriously rich in recent years.

"Every new general that comes

into power forms a new party," an official said. "Ershad's party is one where the only purpose in life for its members is to continue as a minister. He didn't invent this system. He simply refined it."

The president has often defended the army's prominence, asserting it is a fact of life in Bangladesh must accept. Last week he acknowledged that army officers were "agitated" and "unhappy" because of the rioting, but he dismissed rumors that the army was dissatisfied enough to intervene.

"I'm not God or a prophet," he said Friday. "But I have commanded this army. I know these men. I can say from experience that the army will not interfere as long as I am president."

General Ershad is generally described as a leader of no great popularity. But perhaps because his rule has not been particularly repressive and because the opposition is identified with the authoritarian rule of the past, any unpopularity appears to be insufficient to spark an insurrection.

"Ershad may not be a great charismatic leader," an aide to the president said, "but people do not want to risk their lives to throw him out." The protests started when he pushed through a bill in Parliament giving army officers a nonvoting membership on local district councils. He then sent the bill back for reconsideration.

DEATH NOTICE

JOHN H.F. HASKELL
Age 83, of Chateaufort-de-Grasse, France, died Nov. 10 on board the Queen Elizabeth II. He is survived by his wife the former Pauline Heger of New York City; two sons, John Jr. of New York, and Paul, now residing in Paris and five grandchildren. A funeral mass will be held at 10:00 a.m. Monday, Nov. 16, at Holy Trinity Chapel, West Point, N.Y., followed by interment at the West Point cemetery. In lieu of flowers donations may be made to the American Cancer Society.

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Rebel Raids Choke Off Ethiopia Food Aid

By Blaine Harden

Washington Post Service

NAIROBI — The international
...effort to head off famine in north-
...ern Ethiopia appears to be failing
...as large numbers of drought vic-
...tims have begun migrating on foot
...in search of food, according to
...Western relief officials in Ethiopia.

Rebel attacks on truck convoys,
...two of which occurred last week,
...have slowed to a trickle the delivery
...of food in the Tigré and Eritrea
...regions of Ethiopia where it is es-
...timated that 2.1 million people are
...threatened with starvation.

"The rebels are stopping trans-
...port in the north at a critical time
...when all the food is almost out,"
...Rick Machmer, director in Ethio-
...pia for the U.S. Agency for Inter-
...national Development, said Fri-
...day. "It is really bad. The whole
...situation changed with the at-
...tacks."

Mr. Machmer visited relief food
...warehouses this week in Mekele,
...the capital of Tigré. He said he
...found the warehouses "practically
...empty."

"The International Red Cross
...needs 5,000 tons of food in Tigré

Friday," Mr. Machmer said. "They
...have 110 tons."

Early detection of drought in
...July, along with commitments in
...September of American and Euro-
...pean food aid, had led relief offi-
...cials in Ethiopia to predict that
...widespread starvation in the com-
...ing year could be averted.

Donors had hoped to distribute
...food to destitute farmers before
...they abandoned their land and mi-
...grated toward famine shelters. It
...was in the overcrowded, disease-
...ridden shelters that hundreds of
...thousands of Ethiopians died in the
...1984-85 famine.

But now, several relief agencies
...report that drought victims are
...again roaming the northern Ethio-
...pian highlands and are beginning
...to gather near the former famine
...shelters.

Ethiopia's chief famine relief of-
...ficial, Bernhard Jenberre, told West-
...ern relief officials last week that
...5,000 people had walked out of the
...highlands of the Welo region to
...gather near Ibaet village. Three
...years ago, more than 100,000 peo-
...ple lived there in a squalid camp.

Relief workers with the Interna-
...tional Committee of the Red Cross

and United Nations field officers
...report that 7,000 to 10,000 people
...have concentrated near the central
...highland town of Korem, the site of
...another large shelter in the last
...famine. Red Cross field offices also
...report that "tens of thousands" of
...people are on the move in highland
...areas looking for food.

On Friday, the Ethiopian gov-
...ernment raised its assessment of
...the number of people affected by
...drought to 5.2 million and said they
...would need at least 1.4 million tons
...of food aid in the coming year.

There is "plenty of food in the
...pipeline" to meet Ethiopia's needs
...for the next five months, according
...to Michael Priestly, head of the UN
...emergency operation in Ethiopia.
...The problem, he said Friday, is
..."the movement of that food to the
...hungry people in the north. The
...logistics of moving food were made
...very much worse by the diabolical
...attack on Oct. 23."

In that attack, responsibility for
...which was claimed by rebels of the
...Eritrean People's Liberation Front,
...an unguarded UN convoy of 23
...trucks carrying 450 tons of donated
...wheat was ambushed and burned.

The rebels, locked in a 27-year-

old civil war with the Ethiopian
...government, asserted that soldiers
...were using the convoy as "camou-
...flage" for moving weapons.

Mr. Priestly denied the claim,
...saying that the rebels "never even
...lifted the tarpaulins to see what
...they were burning."

The two guerrilla attacks last
...week, details of which are still
...sketchy, reportedly did not involve
...international food-relief trucks.

In Addis Ababa, Mr. Machmer
...said that the attacks may scuttle an
...American plan to give financial in-
...centives to private trucking com-
...panies that carry food in northern
...Ethiopia.

"No commercial trucks are going
...to take risks to move along that
...road now," Mr. Machmer said.

The guerrillas have demanded
...that donor agencies supply ad-
...vance information on the move-
...ment of relief convoys inside Eri-
...trea. UN officials in Ethiopia, who
...by international law are supposed
...to have no formal contact with re-
...bel groups, have called the demand
..."out of the question."

Mr. Priestly says the United Na-
...tions will soon resume moving food
...in unguarded convoys.

Menten Dies; Committed War Crimes

Compiled by Our Staff From Dispatches

LOOSDRECHT, Netherlands

Pieter Menten, one of the Ned-
...erlands' most notorious Nazi war
...criminals, died Saturday. He was
...88.

Menten, a successful business-
...man, was unmasked as a war crim-
...inal in the 1970s and was impris-
...oned for more than six years.

His past was discovered when he
...offered part of his art collection for
...sale at an auction. Survivors identi-
...fied some of the paintings as having
...belonged to deported Jewish in-
...habitants of Podgorice, a Polish
...village that is now in the Soviet
...Ukraine.

In 1949, Menten served an eight-
...month prison term after being con-
...victed of collaborating with the
...Nazis. Then, for more than 25
...years, Menten and his wife, Meta,
...lived in obscurity in a 40-room
...manor.

In 1976, the Amsterdam daily
...De Telegraaf interviewed Menten
...and reported he would be auction-
...ing off some of his art works.

Menten was convicted in 1977 in
...the killings of dozens of Jews in
...Podgorice, which occurred while
...he was serving as a translator with
...a German SS unit in 1941. He was



Pieter Menten

freed from prison in 1985 after
...serving two-thirds of a 10-year sen-
...tence. (AP, Reuters)

Other Deaths:

Charles E. Phillips, 59, a cler-
...gyman and civil rights leader,
...Wednesday of cancer in New York.
...At the Democratic Party conven-
...tion in 1968, he became the first
...black to be considered for nomina-
...tion for the U.S. presidency by a
...major political party.

General Valery Alexandrovich
...Beltov, 62, commander in chief of
...Soviet forces in East Germany,
...Thursday of a heart attack in
...Wismar, south of Berlin.

Roger Lewis, 75, a former as-
...sistant secretary of the U.S. Air Force
...and chairman of General Dynam-
...ics Corp., who was also the first
...president of Amtrak, Thursday in
...Washington.

Nestlé Subsidiary Guilty On Baby Food Charges

By Morton Mintz

Washington Post Service

NEW YORK — Beech-Nut Nu-
...trition Corp., a large baby food
...producer, has pleaded guilty to 215
...felony counts of intentionally ship-
...ping millions of jars of bogus apple
...juice for babies. According to the
...U.S. government, Beech-Nut knew
...the jars contained a cheaper mix of
...other juices and sugar syrups.

The adulterated juice was bought
...by wholesalers and food chains in
...20 states, Puerto Rico, the Virgin
...Islands, and five countries: Baha-
...mas, Dominican Republic, Japan,
...Saudi Arabia and Taiwan.

U.S. District Judge Thomas C.
...Platt in Brooklyn imposed a \$2
...million fine on Friday. That is the
...largest ever meted out under the
...Food, Drug and Cosmetic Act of
...1938, according to Richard K. Wil-
...lard, an assistant attorney general.

Beech-Nut's attorney, John S.
...Martin, told Judge Platt that an
..."extensive investigation" by his
...law firm had confirmed govern-
...ment charges that tests by the com-
...pany's own chemists over the years
...had led some employees "to seri-
...ously question the authenticity" of
...Beech-Nut's claim that it was using
...pure concentrates of apple juice.

Beech-Nut, of Fort Washington,
...Pennsylvania, is second to Gerber

Products Co. in the \$1.8 billion
...U.S. baby food industry. It has
...been owned by Nestlé SA of Switzer-
...land, since November 1979.

The indictment, which was re-
...turned a year ago, said the adulter-
...ated products were shipped during
...a five-year period that ended in
...March 1983.

The indictment also named Niels
...L. Hoyvald, Beech-Nut's president
...and chief executive, and John F.
...Lavery, its vice president for man-
...ufacturing in Canajoharie, New
...York. There, the product sold as
..."pure apple juice concentrate" was
...heavily diluted with best sugar,
...corn syrup and other ingredients.

Two alleged co-conspirators will
...go to trial with them: Nina B. Wil-
...liamson, a former owner of Food
...Complex Co. of Woodside, New
...York, which the government says
...sold phony apple juice concentrate
...to Beech-Nut, and Danny A.
...Shaeffer, who is alleged to have
...worked with two other defendants
...who are said to have supplied com-
...puterized juice. These other two are
...Zeev Kaplan, president of Uni-
...versal Juice of Rensselaer, New
...York, and Raymond H. Wells,
...owner of Food Complex.

On Thursday, Mr. Wells pleaded
...guilty to 10 felony counts.

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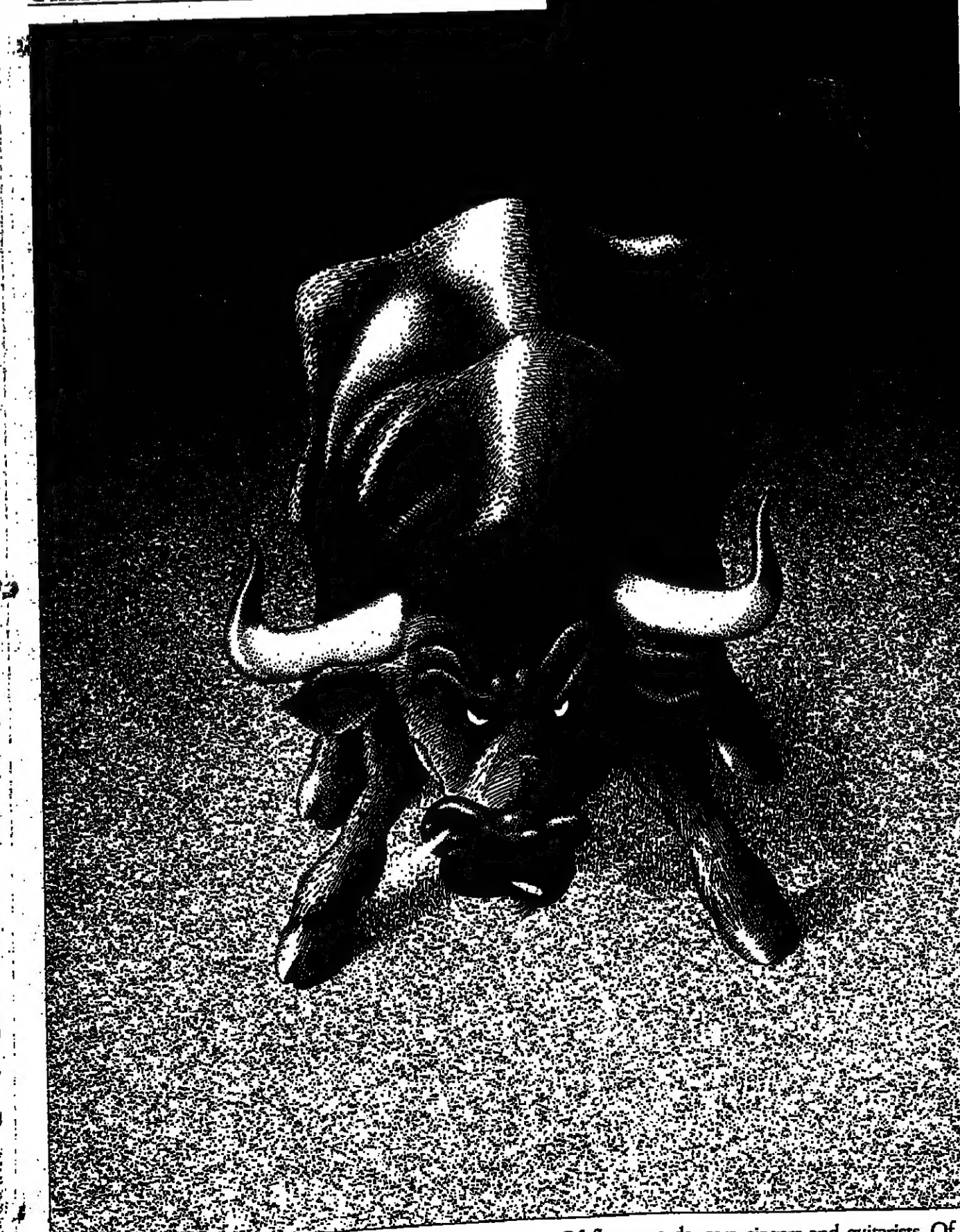
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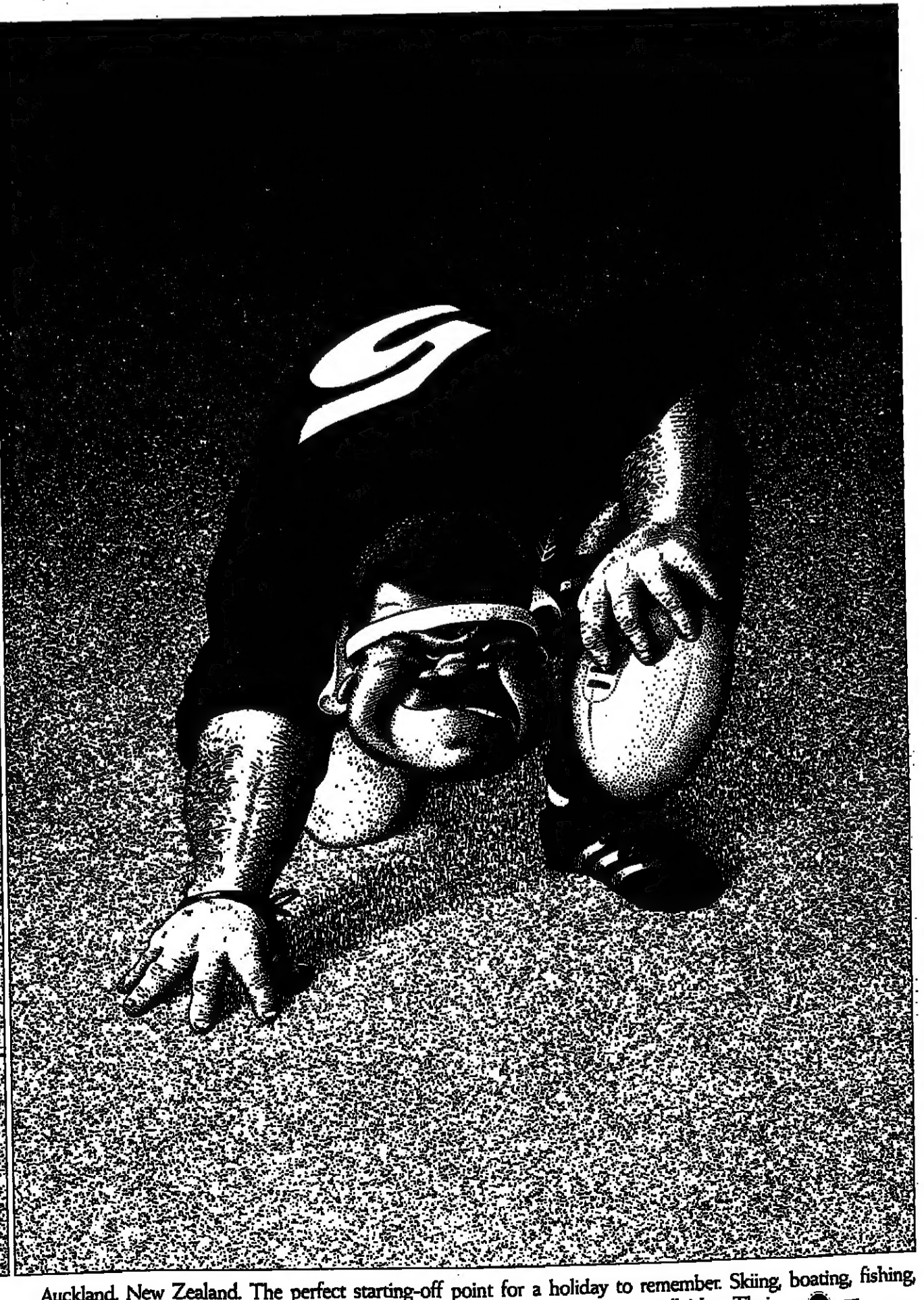
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Herald INTERNATIONAL Tribune

Published With The New York Times and The Washington Post

A Historic Shift of Control

With the announcement of a slight reduction in the monthly U.S. trade deficit, the markets are reported to be temporarily placated. The markets — that vast, restless collectivity of investors, traders and speculators — are now the monitors of U.S. economic policy, meeting out swift punishment for politicians' backsliding. How did America get itself into a position in which policy has to answer to the speculators?

The trade deficit in September was \$14.1 billion. At that level, America needs roughly \$14 billion of foreign investment to balance the deficit. Otherwise Americans would find themselves selling more dollars — to pay for their imports — than anyone wanted to buy, and the dollar's exchange rate would fall.

For the first six years of the Reagan administration, private investors abroad wanted to put their money in huge quantities into the dollar and into America. That balanced the trade deficits. But as time passed, foreign investors began to get anxious about having disproportionate amounts of their money in this one country, and they began to grow less optimistic about the future for profits. Last winter the flow of foreign private investment to the United States sharply dropped.

To prevent the dollar's exchange rate from collapsing, and their own currencies from shooting sky-high, governments in Japan and Europe had to step in last spring and begin buying billions of dollars with their taxpayers' money. The extraordinarily heavy new dependence on foreign governments' support is diminishing America's freedom of action. This new reality underlies the recent assertiveness on the part of Tokyo and Bonn in criticizing American procrastination and indecision on the budget deficits.

— THE WASHINGTON POST.

The Change Is Fragile

It is tempting to see the Boris Yeltsin story as the end of Soviet "new thinking" and a slide back to the days of Stalin's purges. But caution is in order. It is fine to applaud loosening of controls and condemn the old Soviet ways. It makes little sense, however, to draw profound conclusions about the fate of glasnost, or openness, and perestroika, or reform, on the basis of daily or even monthly events.

The purge campaign seems aimed at first against Mr. Yeltsin, the Moscow party chief, criticized his mentor, Mikhail Gorbachev, for going too slow on reforms. The private critique is linked to the Western press. After some denials, Mr. Yeltsin comes forward, admits his misdeeds and apologizes. He is dismissed from office, and his detractors quickly line up to point the finger. But the differences from the Stalinist days are stark. Stalin's victims were accused of many things, all more serious than Mr. Yeltsin's case of "political immaturity" and "excessive ambition." Nor should anyone expect his fate to be worse than a far lower job. The Yeltsin affair is not so much a con-

— THE NEW YORK TIMES.

Evading the Hard Steps

In 1964 South Africa sent seven leaders of the African National Congress to prison for life; the black nationalist organization had turned to revolution in frustration after 50 years of peaceful protest. A wasted quarter of a century later, the white authorities have now freed one of the seven, the aging, unrepentant Govan Mbeki. He refused to meet the condition of renouncing violence but was freed anyway, partly because officials shrink from the martyrdom and public outrage that could flow from the death of a senior ANC figure in prison. President P.W. Botha is now using the Mbeki release as a trial run to determine whether to go on and free others, notably Nelson Mandela, the ANC leader with the largest following.

Almost all blacks in South Africa, and some whites understand that the country's crisis cannot be eased without a political dialogue in which the blacks who take part truly represent their people. This is the incontestable case for releasing Mr. Mandela and other political prisoners, for unbanning organizations such as the ANC and allowing them the rights that the white minority enjoys. The ANC is not the exclusive spokesman for South African blacks, but it is a

principal one, and no real progress is imaginable without its full participation.

Protea has long tried to pick the black population's leaders, a process that produces puppets with little value as interlocutors. This has led the government to reach out for figures of stature, first of all Chief Buthelezi. He is a proven opponent of apartheid, who pleads for his friend Nelson Mandela's release. But he is also a major politician whose Zulu tribe puts him at odds with the non-Zulu ANC. And he is a moderate who is favored by some whites for his resistance to job-killing sanctions and admiration for others for his plan for power sharing among the races in Natal-KwaZulu.

Mr. Botha hopes to draw Chief Buthelezi into a proposed national black advisory council. The president perhaps figures he may then be able to draw in the ANC, or be better positioned to enroute it. This is the murky game the government plays by letting out Mr. Mbeki, trolly for Chief Buthelezi and cultivating hopes that Mr. Mandela may be released soon, too. It is the government's desperate, devious way to avoid the hard steps that democratic reconciliation requires.

— THE WASHINGTON POST.

The Mafia and the Bigots

Yes, there is a Mafia, an organized crime network largely made up of Italian-American mobsters. But Americans have not yet learned to stop stigmatizing all Italian-Americans because of it. The positive development is that at last, after years of subterranean mumblings, the subject and the prejudice can be openly confronted.

This is, in many ways, the decade of Italian-Americans. They have achieved new prominence in every field: the auto industry, architecture, politics, the Supreme Court. Yet the stereotypes continue, even as Rudolph Giuliani, a United States attorney of Italian background, relentlessly and successfully prosecutes the Mafia.

Many Americans reckon with anger when they hear prejudiced slurs like "grasping Jews" or "violent blacks." But slurs about Americans of Italian heritage are too often tolerated. Not uncommonly, word of their success is followed by knowing mistakes

about mob connections. The recent stir over Governor Mario Cuomo of New York offers an example. As speculation picked up about his presidential ambitions, so did the rumors. It was whispered that he was afraid to enter the race because of skeletons in his closet; that in his early days as a lawyer he had represented crime figures; that mob bosses had contributed to his election campaigns.

The good news is that it has become easier to see the Mafia in perspective. Its dominance in organized crime is waning. In part that is because of prosecutors like Mr. Giuliani; in part it is because of the upward mobility of Italian-Americans generally. The presence of a Lee Iacocca at Chrysler or an Antonio Scalia on the Supreme Court stands in reproach to the ugly stereotypes. But America will continue to be the poorer until public officials like Mr. Cuomo need no longer confront baseless whispers.

— THE NEW YORK TIMES.

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For an Enlightened Program of Food Aid

By Orville L. Freeman

NEW YORK — Hunger, long the forgotten issue on the world agenda, blazed briefly in the Western public's consciousness during the African famine of 1985 and abruptly faded from attention again. But even if hunger has vanished from public debate, the gnawing problem continues — and grows. Half a billion people endure chronic malnutrition each day, often too weak to work or too debilitated even to produce the food they need to energize themselves. That number is growing, not diminishing.

The growth of chronic hunger not only presents the glaring paradox of want in the midst of plenty, the grinding poverty itself actually helps create gluts of unsold food. The ample surpluses of American agriculture, with production capacity 40 percent in excess of domestic needs, would find eager buyers in the fast-growing countries of the developing world if only their people could earn money with which to buy them.

A decade ago, hunger emerged as a major issue on the global agenda. As secretary of state, Henry Kissinger went so far as to set a national goal for the world community: the elimination of world hunger by 1980. Long-range programs to accomplish both food and development strategies were established, funding was provided and considerable progress was made, even if the goal was not quite reached.

After 1980, hunger disappeared as an issue. U.S. multilateral development aid was slashed from \$2.3 billion in 1980 to \$949 million this year. The three-year U.S. commitment to the International Fund for Agricultural Development fell from \$254 million pledged for 1981-1983 to \$80 million for 1987-1989. The Food for Peace allocations were halved in two years, from \$2.2 billion in 1985 to \$1.1 billion today. After 1986-87, payments on the \$101 million U.S. obligation to the United Nations Food and Agriculture Organization have amounted to only \$13 million.

No wonder the numbers of chronically hungry are growing once again. The United States has gone into default on a serious moral obligation, and that default is hardly attenuated by the episodic response to public concern about outright famine two years ago.

This is the thrust of a new report, entitled "A Time to Plant: International Cooperation to End Hunger," by the United Nations Association of the United States. There is an urgent need "for a renewed commitment, by our own countries and the international community, to the goal of a world where no child goes to bed hungry — to the elimination of hunger before this century's end."

This is truly a moral obligation of first priority. At the same time, it is an economic issue of

The case for aiding rural development in the Third World is practical as well as moral.

inestimable importance for American agriculture. For an all-out development war to conquer world hunger is also at the core of building future markets for agricultural products.

The plain fact is that the necessary markets for American farmers are not in Japan and Western Europe. The fastest growing markets are the developing countries that are undergoing rapid economic growth. South Korea, once a poverty-stricken recipient of U.S. food aid, is now purchasing more than \$2 billion a year in American farm products — even as its own food output grows by a healthy 3 percent a year. Brazil, while expanding farm production by 5 percent a year (and becoming a stiff competitor in soybeans), has increased the volume of its imports of U.S. farm commodities by 15 percent in the last decade.

There is, in short, a fundamental relationship between the crisis of hunger in the developing world and the crisis of surplus in U.S. agriculture. The solution to both crises lies in rapid growth of

earning power in the Third World. And economic expansion in developing countries must be led by rising purchasing power in the rural sector, where the bulk of Third World people live. That underscores the importance of carefully targeted international development aid that can spark increased productivity and an economic takeoff.

It is increasingly clear that poorer countries' development policies need to be targeted to the poor in rural villages. Growth in their purchasing power fuels local consumer industries (generating increases in urban income) and allows those countries to buy more varied foods. Development aid provided by wealthier countries, directly and through multilateral institutions, should focus more on investment in productive "micro-enterprises" among the poor. Initiatives in Congress to do just that have recently gained ground.

One of the most innovative recommendations in the new report by the United Nations Association of the United States, reflecting the fundamental relationship between trade and aid, calls for reallocating some of the budget savings from a worldwide phaseout of grower subsidies to food purchase subsidies for the poor in key developing countries. The aid, channeled back into higher food purchases, would enrich the diets of the hungry poor — and expand markets for U.S. growers. Just as food stamps expanded the food purchases of America's poor by 24 percent, in Sri Lanka they have increased the volume of food sold to the poor by 30 percent.

Policy makers must recognize that interest in Third World rural development is practical as well as moral. The dollars invested in multilateral development banks are creating consumers, not competitors, and carefully targeted food aid stimulates productivity, not passivity. The possibility becomes ever more real of restoring a broad consensus against hunger amid this "action" triangle of interests: humanitarian aid, Third World development and commercial market building.

The writer, a former U.S. secretary of agriculture, is chairman of the board of governors of the United Nations Association of the United States. He contributed this comment to the *Los Angeles Times*.

Even Better Than Singapore-Style Order Is Freedom

By William Safire

SINGAPORE — Ever since the Wall Street Journal demonstrated the financial world's interdependence, Asian opinion leaders have been viewing the United States with the same condescension as the brick Lilliputians saw big Lemuel Gulliver: an amiable, clumsy giant whose profligacy is awful but whose strength could still prove useful.

More astute Asians, like Lee Kuan Yew, Singapore's top man for three decades, remember the prelude to the imperial Japan and are eager for the United States to remain a protective presence in Southeast Asia. He says his "most frightening thought" is that Japan might one day align itself with China or the Soviet Union.

Prime Minister Lee runs a tight ship in his city-state of 2½ million, mainly Chinese. "Death Sentence for Drug Traffickers" is stamped in red on his entry cards. He keeps his air-conditioned oasis near the equator squeaky clean; the planes of Singapore's airline run on time and its stewardesses are, as advertised, beautiful young women.

Order and stability are placed above political freedom. One example: When The Asian Wall Street Journal refused to run a government disobeys complaining about some of its non-governmental reporting, Mr. Lee dismissed his country's free world status by sharply restricting the newspaper's circulation. Until this sort of harassment ends, American tourists and traders will know that this island so often described as a "bastion of free enterprise" is more bastion than free.

Last week Mr. Lee, a strategic friend of the United States, came before the International Herald Tribune's centennial anniversary forum. Some of his perceptions were keen but his misreading of the future was even more instructive:

1. Mr. Lee woke up his fellow Asians with this question: "Why should Americans be paying 7 percent of their GNP to keep Europe and Japan and the rest of the world safe?" That his nail on the head. Unfortunately, his answer was to suggest some more local burden sharing. Here is a better answer: A her-

lean Asian effort is needed immediately to stimulate local consumption, to open markets to U.S. exports, to stop the profitless selling that delays loss of export market share, and to take up the common defense.

2. The Singaporean saw the White House-congressional meetings on budget deficit reduction as "nationalist war dancing on the world stage with the world gapping their seats and saying, 'They money is at stake.'" With that, he missed the nail and bit his thumb. Instead of joining the world chorus for a panacea of more American self-taxation, Asian leaders should impress each other with the need to cut huge Asian trade surpluses.

For too long America has been a thirsty sponge sopping up their exports and financing their prosperity. Their continued abuse of the Great Sponge will surely lead to world recession.

3. "Americans may have been great innovators of mass production," the prime minister says, "but the Japanese and in their turn the Koreans and the Taiwanese have caught up. There is nothing that is going to be revolutionary that again is going to

give the Americans a 10- to 20-year lead on them." Wrong. America will not balance its payments by competing against producers with a lower standard of living; rather, America will leapfrog today's surpluses into the coming information revolution.

This goes far beyond making computer hardware. Tomorrow's software geniuses will change the way people work, recreate, travel and think, inviting a burst of ingenuity that will affect civilization more profoundly than the last century's industrial revolution.

What nations will be best equipped to take the lead? Not the lands of the regimented, or Asia's legions of technocrats. This computer-induced revolution will be powered by the creative minds that work best in the climate of individual diversity, liberal education and political freedom. A swift generation later, the quick learners of the Pacific basin will follow.

The New York Times.

People Got the Reagan They Wanted

By Henry F. Graff

NEW YORK — In the present moment of economic alarm, the public looks to the White House for a dramatic act of leadership as if there were a magic formula stashed away in a secret cave known only to presidents.

The very people, particularly in the field of finance, who shout frantically for a transforming deed or word only recently applauded the chief executive for giving them full rein, urging all the while, "Let Reagan be Reagan." The mastery they say they call for today is as unlikely as that the president will do handstands in the rose garden.

National leadership is as much shaped by what the people want as by the chief executive on high.

By the time Jimmy Carter left office in 1981, many could see, even if few had the temerity to say it aloud, that America's power was no longer at its zenith and that political authority in the world had become so diffused that even parts of the so-called Third World shared in its exercise.

The Iran hostage crisis must now be

seen as the historical marker that made visible the reduced standing of the United States in the world, which up to then had only been intimated.

By the 1980 election, what constituted presidential leadership? As always: Delivering what the public wanted at the moment, which now was to enjoy an Indian summer. Ronald Reagan was the social director of the lengthened vacation that millions of Americans took and reveled in.

Now the snows are upon us. Pundits and savants may prescribe what is called for to meet today's new conditions, but they have no right to expect President Reagan to fulfill their hopes.

He has played his historical role. When his defenders speak of President Reagan's legacy — a too lofty phrase meaning only "what he is remembered for" — they must be referring to something other than the fun times he presided over so theatrically, in which

he said he made the country strong again and paid lip service to the ideal of reduced government spending.

Like Calvin Coolidge, who saw on the horizon developments he knew he was not equipped to handle, Mr. Reagan is out of sync with his times. The nation's problems are being seen in a new light, and they seem different.

In point of fact, of course, however the problems are labeled they run inexorably from one administration to the next in much the same form.

Dwight Eisenhower, in a presidential memoir tellingly entitled "Mandate for Change," reported that in his first moments at his desk in the Oval Office he found locked in a drawer a folder of memorandums left for him by Harry Truman, his predecessor, with whom he was barely on speaking terms. The documents dealt with urgent matters that might require immediate action by the new president.

That is how the White House is passed along from one administration to the next. Each temporary occupant, emboldened by the command he receives from the electorate, can give the problems he inherits no more than his own spin — the modish one that brought him to office. If the roof falls in as he works away at his burden, the public must understand that in that moment the job specifications for the chief executive have abruptly changed.

The president, especially when the hour is late, cannot learn new tricks. There has never been an all-weather president. Even in the circus, the boy who tends the elephant does not suddenly turn into a trapeze artist, however compelling may be the need for one.

The writer, professor of history at Columbia University, specializes in the presidency. He contributed this comment to The New York Times.

100, 75 AND 50 YEARS AGO

1887: Australia Is Closer

LONDON — The Orient Line steamer Ormuz, which left Suez on October 27 with the English mails, of the 21st, arrived at King George's Sound on Nov. 14, landing the mails and passengers in less than 24 days from London. The steamer maintained an average speed of upwards of 15 1/2 knots, which is considerably in advance of the best speed ever attained on the Australian voyage.

PARIS — The sitting of the Chamber [on Nov. 15] was one likely to be memorable. The debate turned on the application of criminal law, M. Floc, a Legitimist Deputy, raised questions which, if pushed to logical conclusions, would tend to introduce the Habeas Corpus Act into France.

1912: Heir to Millions

NEW YORK — Vincent Astor became today [Nov. 15] — his 21st birthday — the wealthiest young man in America by acquiring absolute

Poles Need Walesa's Solutions

By Jim Hoagland

GDANSK, Poland — "Look at these hands," he says, holding up palms marked with calluses and small cuts. "I must be the only Nobel prizewinner who works so hard. There is no light work in a shipyard."

Six years after the Polish army and secret police sought to toss Lech Walesa and his Solidarity movement onto the rubble pile of history, the shipyard electrician in the Gdansk shipyard endures. He continues to be the living symbol of and spokesman for the most important revolt against Communist rule in this generation, despite a totalitarian empire's efforts to break and discredit him.

So what does a Nobel laureate, author and international celebrity do

"We are prepared to go underground again if we have to. We won't give up August."

in a shipyard? "I build socialism," he says with a mischievous grin. "I repair electrical equipment. I have access to the mechanical history of Poland in that shipyard. We have every kind of equipment — prewar, postwar, recent, Western, Eastern. I have the opportunity to compare technologies. I repair things sometimes with a hammer, sometimes with tweezers."

His ideas tumble out. To chat with him for an hour in his parish church here is to wade deeply into a rapidly flowing stream of consciousness. The cycle of revolt, repression and regrouping that he has lived through since August 1980, when the Solidarity trade union movement was born, shows in his fatigue. He does not engage in his usual flirtatious banter with a pretty Polish translator. He says he is even too tired to try to play pranks on the two cohorts of policemen waiting outside to tell us where we park.

The part of the secret of his political and personal survival under enormous pressure lies in his profound practicality. He responds to both heady success and oppression with that finely tuned sense of the absurd that is shaped by an East European's everyday experiences of a bankrupt economy and a stalemated political system.

He avoids answering one question because he believes that the meeting room is bugged. "We are bugged. We pay taxes in order to be bugged," he says dryly. Asked about the national referendum that Wojciech Jaruzelski's regime will hold this month seeking approval for price increases that it will impose anyway, Mr. Walesa does not launch into a political lecture but simply observes, "This amount of money is \$30 million. 'In our bad economic situation, this much money is going to be spent on a senseless act.'"

Mr. Walesa survives as a national symbol because "he remains a worker," says Professor Bronislaw Geremek, a friend and intellectual mentor. "And he is a realist. He understands that you can break yourself against the wall of a system like this, that with a system like this, most of all, you have to be clever. The average Polish people admire his ways of outfoxing the system. 'He's one of us,' they say."

His realism brings him into conflict with radicals who advocate a strategy of confrontation with General Jaruzelski, who outlawed Solidarity on Dec. 13, 1981. They criticize its continued willingness to seek a political compromise with the general. They are unhappy with a recent decision to regroup clandestine and above-ground Solidarity units into one body that will try to work legally within the system. "The communists and even arguments are the evidence that this organization is still alive," he says. "If there were no discussion, no arguments, it would have meant that we are asleep or even dead... We are prepared to go underground again if we have to. We won't give up August [1980]. And nobody can take it away from us."

Mr. Walesa's supporters point to Andrei Sakharov as the kind of gesture that General Jaruzelski has to make if he is to begin a process of national reconciliation. Mr. Walesa himself is skeptical that such a call will come. "There is a difference," he says. "Czar-brother did not put Sakharov in jail. His skepticism seems well founded."

A day later, General Jaruzelski faded when Mr. Walesa's name is mentioned during an interview. In a truly Polish paradox, the man who could help call on the man the general will not call on.

The Washington Post.

FROM 1875...

REW

MONDAY, NOVEMBER 16, 1987

Herald Tribune BUSINESS/FINANCE

FF

TO TOMORROW'S WORLD
TOSHIBA

Page 7

EUROBONDS

Optimism Trickles Back Despite Budget Fatigue

LONDON—The Eurobond market once again has reason to hope that better times lie ahead. Currency rates stabilized last week, the U.S. trade deficit has shown itself capable of shrinking, and negotiators in Washington have shown some commitment to reaching an accord on reducing the U.S. budget deficit before a deadline set for Friday.

As a result, market makers claim that momentum is gathering in the dollar sector for a spate of new bond issues by year's end. Some of the more optimistic have even gone so far as to predict that new issues, including a large sovereign deal, will begin to appear this week if the U.S. budget talks produce a reasonable accord.

But if confidence is returning, operators are quick to point out that it is mainly a confidence wrought by survival. And the hard-bitten optimism of the survivors, who have weathered an unprecedented month of volatility, is based on a hope for a real recovery not so much in December as in January.

"I think we have been able to escape the crocodiles once again," said the head of syndicate at a European bank. "Our team is somewhat dilapidated. But we will be off to new adventures."

Both traders and syndicate officers say that optimism began to trickle back into the market last week in the form of new buying interest among European fund managers. Their interest grew after a smaller-than-expected U.S. September trade deficit of \$14.08 billion buoyed the dollar Thursday and allayed fears of another plunge on the international capital markets.

The U.S. currency surged to 1.6920 Deutsche marks and 135.90 DM and 133.80 yen in Europe just two days earlier. Meanwhile, the U.S. Treasury's 8% percent benchmark bond due 2017 reached a high of 100.20 before settling back later in the day.

"People were holding off in the event of something dramatic," one trader said, "and there was a heavy sigh of relief when the trade deficit turned out to be a big non-event. Now we need something substantial out of Washington on the budget, and if we get it, the market will be headed for a couple of very attractive weeks."

ON FRIDAY, the failure of congressional and White House negotiators to show significant progress on budget talks robbed the dollar and the bond market of some of its momentum. The dollar closed largely unchanged at 1.6875 DM and 135.85 yen in New York, with the Treasury's benchmark bond trading at 99.07.

Eurobond dealers said they remained optimistic nonetheless. They predicted that negotiators would achieve a budget cut of at least \$30 billion this year, \$7 billion more than the amount that the Gramm-Rudman legislation will automatically bring into effect Friday if the talks fail.

But the market optimism continues to be tempered by caution and, in some cases, cynicism. "The market needs a cut of more than \$23 billion" in the deficit, "maybe more than \$30 billion, if it's going to improve," a syndicate officer concluded. "We're optimistic, but there's not a lot of confidence in Reagan's leadership capabilities at the moment. Who can say what will happen?"

A syndicate manager at another firm was more positive, saying, "It's not the size of the cut that matters. It's the willingness of Congress to force" the president "to do something."

In the meantime, dealers said that the market risk thick last week with rumors that a sovereign borrower was preparing to launch a new straight bond of \$400 million to \$500 million. Most of the speculation centered on Belgium, which was widely rumored two weeks ago to be considering either a dollar deal or a yen-denominated issue.

Nothing had surfaced by the end of the week, however. "The Belgium rumors are still very strong," a Eurobond trader said Friday. "But the market's been soft these past few days, and most people think it will take a good, buoyant afternoon to bring out any new deal."

Renewed enthusiasm among the market's syndicate officers is underpinned by a conviction that European fund managers are prepared to map up new dollar paper so long as it meets the criteria of high quality, a generous yield and, above all, adequate liquidity.

"There would be demand for three- to five-year paper, but it must come with a generous spread over Treasuries from a sovereign or a top-rated borrower," said a syndicate officer at a U.S. investment banking firm. "It also must be upwards of \$200 million, because liquidity is the prime concern in this market."

The market's expectations can be traced to the success of two recent dollar issues, a \$250 million deal on Nov. 5 for the republic of Austria, and a \$200 million issue a week ago for Austria.

See EURO BONDS, Page 9

Chunnel Financing Settled

Sale of Shares Set for Monday; Price About \$6

Compiled by Our Staff From Dispatches

LONDON—A plan to link Britain and France with a tunnel under the Channel has apparently cleared its last financial hurdle, with agreements to underwrite the final \$770 million (\$1.4 billion) share offer to finance it.

About 200 British investment institutions verbally agreed late last week to underwrite half of the remaining shares, after French and British banks guaranteed the other half.

A group of international banks had already agreed to lend Euro-tunnel about \$5 billion to help finance the project, on condition that the consortium could also raise money through the sale of stock.

Shares in the Euro-tunnel consortium will be priced at around 35 francs in France and £3.50 in Britain (about \$6 in each country). Euro-tunnel's French co-chairman, André Benard, predicted in Paris on Friday.

The official price will be set on Monday, when shares will go on sale Monday on the London Stock Exchange and the Paris Bourse.

Britain's Sunday Telegraph newspaper reported that Robert Maxwell, the publisher, had agreed to underwrite £37 million worth of the shares.

The report said Mr. Maxwell would raise the capital from his Pergamon Group publishing firm and its pension funds.

Mr. Maxwell would thus become the tunnel's largest single sub-underwriter on the British end of the underwriting operation.

Analysts had feared the worldwide stock market crash would hinder stock offers to finance the \$6 billion project but the agreement by the banks to underwrite the flotations means the money is guaranteed.

(Reuters, UPI, AFP)

Arms Makers Battle Toughest Foe Yet: The Deficit

U.S. Industry Is Forced to Trim Costs, Diversify

By Richard W. Stevenson

New York Times Service

LOS ANGELES—The military contracting industry, which only several years ago was riding high as the Reagan administration pursued the largest arms buildup in American peacetime history, is now heading into what may be its most difficult and competitive era.

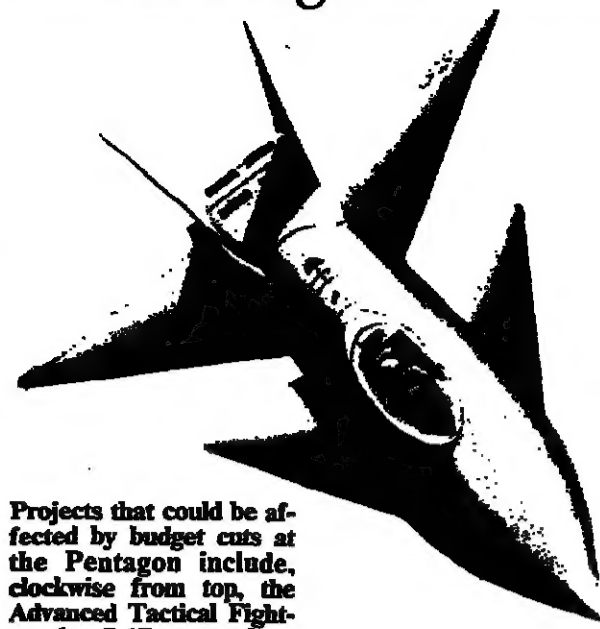
Last month's stock market collapse and the new urgency it brought to cutting the federal budget deficit put even greater pressure on Congress and the White House to trim Pentagon spending, which has been declining at an average annual rate of about 2.5 percent since 1985 in inflation-adjusted terms.

Most estimates are that the negotiations between Congress and the White House will yield a Pentagon budget of \$289 billion for the current fiscal year, which ends Sept. 30. That would be the same level as last year but a decline of 3.5 percent when adjusted for inflation.

If the negotiations fail and the federal budget were cut across the board under the provisions of the Gramm-Rudman-Hollings deficit-reduction act, the Pentagon's budget could be pared to as little as \$275 billion.

At best, industry executives now expect the Pentagon appropriation to remain flat well into the 1990s.

The probable cutbacks come as major aerospace and arms companies are struggling to adapt to more stringent procurement rules that are forcing the industry to



Projects that could be affected by budget cuts at the Pentagon include, clockwise from top, the Advanced Tactical Fighter, the C-17 cargo plane and the AV-8B attack jet.

take on more financial risk and responsibility. Contractors are funding more of the up-front costs of designing and building new weapons and are generally being paid less — and at a slower rate — for their work.

In the short run, the budget squeeze means that some weapons programs will be delayed, scaled back or even canceled, hurting contractors' profits. New programs will be few and far between.

Reflecting the new reality, Frank C. Carlucci, President Ronald Reagan's nominee to replace Caspar W. Weinberger as secretary of defense, told Con-

gress last week: "I don't think anything can be sacrosanct."

The budget cuts and the new procurement rules also are combining to spawn or accelerate restructuring and diversification plans and the slow consolidation of the industry.

"A few years ago I would think in terms of taking three to four years to move from negative cash flow on a program to positive cash flow," said Fred Wood, an executive vice president at General Dynamics Corp. "Now I think in terms of 10 years."

Mr. Wood and other industry executives argue that the cash squeeze will weaken the industry and hurt the nation over the long haul. The squeeze, they say, will force contractors to delay investments in more efficient production facilities.

But that argument is not expected to bear much weight in Washington, especially with the departure of Mr. Weinberger, a hard-core supporter of increased military spending.

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See ARMS, Page 9

Wall Street analysts say that while some contractors may suffer more than others, depending on which programs are trimmed, the industry's earnings in general will be lackluster in coming years. The growing problems have long depressed the stock prices of aerospace and weapons companies.

The new reality is hitting hardest at the large aerospace companies. Executives of Grumman Corp. of Bethpage, New York, for example, concede that their A-6F carrier-based attack plane, an updated version of a venerable navy aircraft, is in for a difficult fight as Congress seeks spending cuts.

For the last several years, Grumman has assigned some of its top engineering talent to design the new version under a Pentagon contract that did not provide the company any profit on the work. The payoff was supposed to come when the plane entered production in the coming year, serving as a bridge between the older models and the navy's next generation of planes, called the Advanced Tactical Aircraft, or ATA.

But given the increased budget pressures, sentiment is now rising in Washington to cancel or cut back the \$702 million appropriation.

Despite the comments, reports persist that Mr. Holmes & Court, after being badly hurt by last month's stock collapse, is searching for buyers for a number of holdings, including his 9.6 percent stake in Texaco Inc. Until recently, the entrepreneur and corporate raider was widely regarded to have been Australia's wealthiest man.

The Times on Sunday quoted a Bell executive as saying the Texaco stake would be sold "but only when we are offered a fair price."

British newspapers reported Sunday that Bell was also seeking \$130 million (\$223.6 million) for his 8.2 percent holding in Sears PLC, the retailing group.

Only on Friday, Bell sold prime property in Perth, Australia, to raise \$140 million. The buyer was W.A. Government Insurance Commission. Government officials in Australia are said to be anxious to minimize the financial fallout from the stock market's 41 percent plunge there since Oct. 20, and are pressing banks that lent to entrepreneurs like Mr. Holmes & Court to show restraint.

Mr. Holmes & Court has made no public comments since the market's collapse.

Mr. Holmes & Court is reportedly holding paper losses of at least \$550 million on his major investments. Bell Group reportedly faces a shortfall of \$100 million between earnings and interest due in the next quarter and currently has a negative net worth of \$40 million.

Mr. Holmes & Court bought his 23.1 million shares of Texaco at an average of \$38 a share or a total of about \$878 million and, as share markets have plunged, has seen the value of his stake drop to about \$670 million. Texaco shares closed Friday at \$29.75.

The scale of his operations means that his losses are beginning to have adverse implications for the banking system in Australia. His main providers of credit in

See BELL, Page 9

As Bridge Loans Buckle, Wall Street Reviews a Shaky Strategy

By Steve Coll

Washington Post Service

NEW YORK—In the aftermath of last month's stock market panic, two costly and embarrassing financial debacles involving several of the richest U.S. investment banks have raised questions about the aggressive, risk-laden business strategies pursued on Wall Street.

Much of the recent concern has centered on bridge loans, a relatively new financing technique in which investment houses use large sums of their own money to complete corporate takeovers.

Last week, Southland Corp. started some in the stock market when it postponed a \$1.5 billion issue of junk bonds, or high-risk securities, aimed at financing a management-led takeover. The decision left two major Wall Street firms, Goldman Sachs & Co. and Salomon Inc., stuck with \$100 million each in bridge loans.

Those loans may yet be refinanced, but the firms face the possibility of substantial losses.

The Southland postponement came just two weeks after a troubled offering of British Petroleum Co. stock. Four big Wall Street investment banks — Goldman Sachs, Morgan Stanley & Co., and Shearson Lehman Brothers — swallowed estimated total losses of \$390 million when the price of BP shares plummeted. The risk involved was very similar to a bridge loan.

Many on Wall Street say they are concerned these days not only about bridge loans. The stock market's collapse, some critics say, caught a number of leading investment firms unprepared, exposing a years-long trend toward new, potentially hazardous strategies in which the firms have risked their own money to reap huge profits.

The last month has demonstrated that you can't get something for nothing," said Samuel Hayes, a professor at Harvard Business School. "You've got a new complexion of businesses" on Wall Street "that are basically different and fundamentally more risky than the historic business."

"Everything was going up and people were doing things without really focusing on the downside,"

said Joseph Flom, a leading Wall Street takeover lawyer who advises several major investment houses. Not everyone is predicting doom and gloom for the big firms. Opt-

risk arbitrage, in which firms speculate in the stocks of companies involved in takeover events. As the stock market climbed steadily between 1982 and August

"There will be a lot more attention than we've seen in the past to old-fashioned risk management and risk diversification."

John Heimann, vice chairman Merrill Lynch & Co.'s capital markets group.

of this year, stimulated by both economic growth and the boom in takeovers, the leading Wall Street investment firms found they could virtually do no wrong. As one senior official at an investment bank

put it last week, it was like "learning to sail with a strong wind at your back."

Takeovers and the bull market were strong incentives for the big investment banks to diversify away from traditional, relatively conservative businesses such as underwriting stocks and bonds. An underwriting is the process by which investment banks sell corporate stocks and bonds to investors.

Advising companies involved in takeovers generated huge fees at little cost to the firms.

As takeovers proliferated, stimulated partly by the innovative junk-bond financing techniques pioneered

ed by Drexel Burnham Lambert Inc., firms such as Goldman, Morgan Stanley, First Boston Corp. and others built up large merger departments that became major profit centers.

At the same time, competition in the traditional business of underwriting grew tougher, and profit margins in that area were squeezed. Some of the big firms relied increasingly on their merger-related businesses to fund rapid expansion.

For a while, the merger-driven strategies did not involve risk-

ing. The scale of his operations means that his losses are beginning to have adverse implications for the banking system in Australia. His main providers of credit in

See MISES, Page 12

See BELL, Page 9

Currency Rates

Cross Rates	Nov. 15	Nov. 16
Australian dollar	1.34	1.33
Belgian franc	35.34	35.35
British pound	1.6875	1.6875
Canadian dollar	1.29	1.29
Deutsche mark	1.6920	1.6920
French franc	6.55	6.55
Italian lire	2036	2036
Japanese yen	136	136
Swiss franc	1.48	1.48
U.S. dollar	1.00	1.00

Charges in London, Tokyo and Zurich. Rates in other centers. New York closing rates. 1:00 p.m. Eastern time. To buy one pound; 2: To buy one dollar; 3: To buy one Swiss franc; 4: To buy one Japanese yen; 5: To buy one Deutsche mark; 6: To buy one Australian dollar; 7: To buy one Canadian dollar; 8: To buy one French franc; 9: To buy one Italian lire; 10: To buy one Japanese yen; 11: To buy one Swiss franc; 12: To buy one U.S. dollar.

Other Dollar Values

Currency	Per \$	Per \$	Currency	Per \$	Per \$
Australian dollar	0.74	0.74	Swiss franc	0.67	0.67
Belgian franc	0.028	0.028	U.S. dollar	1.00	1.00
British pound	0.60	0.60	Japanese yen	0.0074	0.0074
Canadian dollar	0.77	0.77	Deutsche mark	0.60	0.60
French franc	0.15	0.15	Italian lire	0.000049	0.000049
German mark	0.60	0.60	Spanish peseta	0.0166	0.0166
Japanese yen	136	136	Swedish krona	0.136	0.136
Swiss franc	0.67	0.67	U.S. dollar	1.00	1.00
U.S. dollar	1.00	1.00	Japanese yen	136	136

New York rates unless marked * (local rate).

Source: Reuters, Tokyo and Zurich. Rates in other centers. New York closing rates. 1:00 p.m. Eastern time. To buy one pound; 2: To buy one dollar; 3: To buy one Swiss franc; 4: To buy one Japanese yen; 5: To buy one Deutsche mark; 6: To buy one Australian dollar; 7: To buy one Canadian dollar; 8: To buy one French franc; 9: To buy one Italian lire; 10: To buy one Japanese yen; 11: To buy one Swiss franc; 12: To buy one U.S. dollar.

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Last Week's Markets

All figures are as of close of trading Friday

Source: Reuters, Tokyo and Zurich. Rates in other centers. New York closing rates. 1:00 p.m. Eastern time. To buy one pound; 2: To buy one dollar; 3: To buy one Swiss franc; 4: To buy one Japanese yen; 5: To buy one Deutsche mark; 6: To buy one Australian dollar; 7: To buy one Canadian dollar; 8: To buy one French franc; 9: To buy one Italian lire; 10: To buy one Japanese yen; 11: To buy one Swiss franc; 12: To buy one U.S. dollar.

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Other Dollar Values

Liquidity Flood

When panic in financial markets pushed the U.S. Federal funds rate to 8 1/2 percent, Indigo's advice was to buy de-

pressed Treasury futures or professional prepared to make billions with rates plunging in direct opposition to the accepted view. The Fed funds rate dropped to 7 1/2 percent while bonds added 3 1/2 percent.

New International Bond Issues

Compiled by Laurence Desvillettes

Issuer	Amount (millions)	Mat.	Coups	Price	Price and week	Terms
FLOATING RATE NOTES						
Flosh III	\$ 35	1991	0.18	100.10	—	Over 6-month Libor, Noncallable, Fees 0.11%, Denominations \$100,000.
Domus Mortgage Finance I	£ 100	2014	0.35	100	—	Over 3-month Libor until 1997, and 1% over thereafter. Average life 5 to 7 years. Fees 0.50%. Denominations £100,000.
Nordic Investment Bank	DK 260	1990	0.60	100.10	—	Below 3-month Luxembourg interbank offered rate. Redemtable at par on every interest payment date. Fees 0.10%.
Hokkaido Electric Power	¥ 20,000	1992	0.35	100.30	—	Below the Japanese long-term prime rate, semiannually. Callable at par in 1989. Fees 0.40%. Denominations 10 million yen.
FIXED-COUPON						
Oesterreichische Kontrollbank	\$200	1992	9%	101%	99.70	Noncallable, Fees 1.75%. Denominations \$100,000.
Banque Française du Commerce Extérieur	DM 200	1994	6	100	—	Callable at 101 in 1992. Fees 2.5%.
Borloy Bank	£ 250	1997	10%	100%	98.78	Noncallable, Fees 2%.
WARRANTS						
BT Gills	0.0005	11 mos	—	£2.50	—	Put warrants exercisable at 103 7/32 into the U.K. Treasury's 10% bond due 1994.
BT Gills	0.0005	11 mos	—	£1.850	—	Call warrants exercisable at 106 27/32 into the U.K. Treasury's 10% bond due 1994.
Citibank (London)	0.25	1989	—	\$25%	—	Warrants enabling holders to buy U.S. dollars with yen at a fixed exchange rate of 136 yen per dollar. Breakdown rate 142.50 yen per dollar.

EUROBONDS: An Optimism Tinged by Cynicism

(Continued from first finance page)

chiefs of the bank that came with a guarantee from the Austrian government. The five-year OKB issue was priced at 101 1/2 and includes a coupon of 9 percent. It was launched at a spread of 70 basis points over Treasuries.

Both deals offered investors sovereign quality at yields 10 to 20 basis points higher than those of outstanding issues while meeting the investor's minimum liquidity requirement. As a result, they have stayed well inside total fees since their launch despite periodic weakness in the dollar sector, and they remain prototypes for future new issues.

On Friday, the OKB issue was quoted at 101 1/2, less 1.45 percent in the gray market. It emerged with total fees at 1 1/2 percent, and had finished its first day of trading at less 1.80, less 1.6 percent.

But dealers are not convinced that the prospect for new business heralds the start of a year-end boom. Many admit that the damage to profitability caused by a fall-off in new issues and interest-rate swaps, coupled with the collapse in share prices since Oct. 19, will make it difficult for them to close their books early.

"Most of the borrowers who would be accepted by the market

place have already been to market," a dealer said. "This year is basically over."

Some predict that the Eurobond market will continue to lose business to the U.S. domestic market until spreads over Treasuries narrow. Funding costs in the Eurobond market, they say, currently run at a rate of 15 to 20 basis points over those in the United States, primarily because of illiquidity.

The antidote prescribed by dealers calls for the market to improve steadily toward January on the back of a stable currency, without an oversupply of new issues drowning out investor demand.

"We're reasonably confident that the market will improve," a syndicate manager said. As long as "there's not a large supply of new paper," managers are optimistic that trading spreads as well as the spreads between corporate bonds and Treasuries will narrow. "That should make Eurobonds competitive again next year."

The specter of illiquidity, which has led some dealers to envision a Eurobond market populated by boutiques, was underscored last week by a report from the Organization for Economic Cooperation and Development.

The OECD voiced concern over

a deterioration in the market's issuing and trading mechanisms and warned that eurobonds could suffer further from a flight to liquidity. The report coincided with news that Bank of America International Ltd. was withdrawing from the floating-rate note sector as a market maker.

Traders, recalling the week following Oct. 19, in which Eurodollar bond trading came to a virtual standstill because of volatility in the Treasury market, said the OECD report merely confirmed what they already knew. One dealer asserted that illiquidity and a resulting shakeout among market makers would leave the Eurobond market leaner and far healthier.

Outside the dollar sector, Barclays Bank PLC issued a £250 million 10-year bond that was priced at 100% with a coupon of 10.25 percent. Demand, attributed to the generous yield, had enabled the lead manager, Barclays de Zoete Wedd, to increase the issue from an initial £200 million. It traded within its 2 percent fee at a bid-only price of 1.85 percent.

Banque Française du Commerce Extérieur also entered the market with a seven-year bond for 200 million DM. The issue was priced at par with a coupon of 6 percent.

U.S. Accuses 4 Nations of 'Dumping' TV Tubes

The Associated Press

WASHINGTON — The Commerce Department has said that color picture tubes from Japan, South Korea, Singapore and Canada are being "dumped" in the United States at below fair-market prices, and has imposed immediate penalty duties of up to 33.5 percent on the imports.

The duties will remain in place unless the U.S. International Trade Commission decides to modify or reject the finding, made on Friday. It has 45 days in which to act.

The four countries shipped \$104.6 million worth of color television picture tubes to the United States last year.

A Department spokeswoman, Claire Buchan, said there was no immediate indication of whether the action would result in an increase in the price to U.S. consumers of color televisions containing the tubes from companies cited in the action.

The duties reflect the "dumping margin," the degree to which the department contends that the products are underpriced.

The largest penalties were levied against Japanese manufacturers, which sold the United States \$21.5 million worth of color picture tubes last year.

For Hitachi Ltd. the figure was set at 22.29 percent, for Toshiba Corp. 33.5 percent and for Matsushita Electronics Corp. 32.91 percent. For Japan's Mitsubishi Electric Corp., the margin was set at only 1.34 percent.

For "all other" Japanese companies, the penalty was set at 30.02 percent.

The trade commission, which made the initial dumping finding earlier this year, must now decide whether the lower foreign prices injure or threaten U.S. companies.

U.S. Export Official: 'We've Got to Sell More'

The United States plans to launch a new European export drive to take advantage of the lower value of the dollar. Strategy is to be planned at meetings in Paris this week of U.S. commercial officers from 24 countries in Western and Eastern Europe and presidents of American chambers of commerce. Reginald Dale, the IHT's economics correspondent, talked to Alexander H. Good, director general of the U.S. and Foreign Commercial Service, who heads the export campaign.

Q. Why is it taking so long for U.S. exports to respond to the drop in the value of the dollar?
A. It's very hard to put a time on how long it will take for increased price competitiveness to work through to increased U.S. exports. Also, because of the size of the U.S. domestic market, it is a challenge to get more of our businesses to sell overseas. But we're seeing tremendous interest by a lot of small to medium-sized companies that are now having a great deal more success internationally.

Q. Has the dollar fallen far enough, or does it need to be still lower to make U.S. goods competitive?
A. U.S. products will certainly be vastly more competitive with the dollar at its current level vis-à-vis most industrialized-country currencies, and it goes without saying that if it comes down more that will increase our competitiveness still further. But I think that, at the existing exchange rate, U.S. products are by and large price competitive in Europe.

Q. What is the strategy you plan to adopt this week?
A. If you have a trade deficit, you can either buy less or sell more. We'd like to keep our own markets open, which means that we've got to sell more. So we want to see how we can promote our exports more aggressively in Europe, taking advantage not only of the fall in the dollar but the greater market access that comes from trade liberalization, such as the formation of the single market in the European Community in 1992. The third factor is a different attitude by the U.S. government.

Q. How should the U.S. government attitude change?
A. I think perhaps that in the past we've had too much of an adversarial relationship with business, that of the regulator versus the regulated. Now we realize that it's up to the

federal government to work more closely with the private sector to reduce the trade deficit. That's the true of the Department of Commerce, the U.S. Export-Import Bank and state governments as well. There is a great deal more interest by state governors

and their agencies in helping their businesses sell overseas. I shall be meeting the Republican governors in New Mexico on my return to talk about how they can be more aggressive in the international market place.

Q. What do you mean by "aggressive"?
A. Well, for example, earlier this month we hosted our largest ever "matchmaking" event in Paris and London, attended by 85 U.S. medium-sized companies all new to the export market. The idea is to help them find sales, joint ventures and licensing, and finding agents, distributors and representatives. There were more than two and a half times the number of participants we've ever had in the past, and they met with over 400 companies in the U.K. and 700 in France.

Q. According to a recent survey, only 200 U.S. companies account for 80 percent of all U.S. exports. Doesn't that show a lack of interest by small and medium-sized companies?
A. That's exaggerated. You talk about 200 companies, let's take Boeing. Boeing has 25,000 suppliers, so if Boeing sells an aircraft it includes components or services or products from 25,000 companies. So those 200 companies are really in a way U.S. trading companies representing small and medium-sized business. But the statistic is also somewhat telling about the number of companies that are not exporting that could be. There are a lot of businesses in the United States, especially small and medium-sized companies such as corner grocery stores or dry cleaners, that should probably not be exporting. But there are also a lot of emerging companies with high-technology ideas that definitely have products that are capable of export.

Q. Don't some of the high-technology companies feel penalized by U.S. restrictions on sales to the East bloc that are much tougher than those in competing countries?
A. Most if not all U.S. businessmen feel very strongly that we should have aggressive use controls on technology exports that might go to the East bloc. But many also feel that we penalize some of our exporters by enforcing

more vigorous standards than some of our trading partners. That is a problem. There is a substantial feeling that controls should be a combined effort with our COCOM [Coordinating Committee for Multilateral Export Control, a group designed to prevent the sale of sensitive technology to East bloc nations] allies, and even non-COCOM countries. Q. How do you bring the other countries into line?

A. William Verity, the secretary of commerce, is calling for a very senior COCOM meeting to make sure that we're doing all we can to rationalize our efforts. The recent scandal over Toshiba's sale of sensitive technology to the Soviet Union has intensified these efforts both by the United States and our partners, including non-COCOM countries. Countries such as Austria, which is not a COCOM member, do not want to jeopardize their own high-technology imports by acquiring a reputation of leaking that technology to the East bloc. So it's their own best interest to address these concerns and to convince the COCOM countries that they are a secure location. Countries like Austria, Switzerland and Sweden have moved very firmly in the last year to do that.

Q. Doesn't the low value of the dollar make it more expensive for U.S. companies to set up sales offices and conduct other export promotional efforts abroad?
A. It certainly does. But I would say that the cost element is generally outweighed by the opportunities that are there. Once these companies have seen the tremendous price competitiveness of their product, they are ready to pay additional money to locate a facility or travel, participate in a trade show, whatever it takes.

Q. Do you agree with the criticism that U.S. businessmen do not understand foreign markets, don't learn languages and are not interested in exporting because it's easier to sell to the domestic market?
A. It may be an accurate generalization that, because of the size of our domestic market, a lot of U.S. businessmen do not have to be as concerned about selling overseas and the cultural and language issues involved. But I have a high regard for U.S. businessmen when they set their mind to do something. They will seek to determine what are the critical factors for success, including language and cultural differences, and address themselves aggressively to the problem.

BELL: Holmes à Court Sales Denied

(Continued from first finance page)

Australia are Westpac ANZ and National Australia Bank. Elsewhere they include Standard Chartered Bank of Britain, of which he holds 14.9 percent and is deputy chairman; and Banque Indosuez and Société Générale, both of France.

The banks that have financed him may have to consider making substantial loss provisions if the market remains depressed. His investments and future income are so inextricably tied to the fortunes of the market that once the value of his holdings starts crashing, his ability to finance his borrowings greatly diminishes.

Mr. Holmes à Court oversees a worldwide empire that includes newspapers and television stations; real estate, film production and distribution; cinemas; distribution of tractors; tires and cement; and production of oil, gas and coal.

Before the fall, the companies had a combined value of \$5 billion; now they are worth \$984 million.

In addition to its Texaco losses, Bell Resources has a paper loss of \$25 million on its 10.7 percent stake in Pancontinental Mining, a gold mining company, and \$14 million on its 6 percent of Ampol Petroleum, an Australian oil refiner and retailer.

Mr. Holmes à Court may be prepared to sell his largest investment, a 31 percent holding in Broken Hill Pty., the steel and resources group that is Australia's largest company. Bell paid \$2.3 billion for its stake.

Because Mr. Holmes à Court accumulated his Broken Hill shares well before the market's rise and subsequent collapse, he is said to be showing a paper loss of about \$69 million on those shares.

Mr. Holmes à Court is also trying to sell his 16.6 percent holding in Pioneer Concrete Services Ltd. At current prices, he would take a \$93 million loss on that investment alone. Analysts believe he will also have to sell the stake in Standard Chartered. (NYT, Reuters)

By Agis Salpukas
New York Times Service

NEW YORK — Eastern Airlines is turning its profitable shuttle operation into an autonomous division with its own budget, work force, fleet and management, an Eastern official has said.

Some analysts interpreted the step as a way to permit Frank A. Lorenzo, chairman of Texas Air Corp., to sell the shuttle or put it under the control of Texas Air, Eastern's parent company.

Edward Starkman, an airline analyst at Pine Webber, said the step was a means of "positioning" the shuttle for disposal. He added that it was another signal to Eastern's unions that if management did not get cost reductions it would dispose of more of the airline's assets.

Mr. Starkman said that if the shuttle was put on the block a number of airlines would be interested in it because it controls many landing slots at La Guardia Airport in New York and at National Airport in Washington. Slots are difficult to obtain at both airports.

In addition, the shuttle is one of Eastern's more profitable operations, ferrying thousands of passengers daily between Logan Airport in Boston and La Guardia and National with hourly flights.

Mr. Lorenzo is waging a bitter struggle with the carrier's unions over cost reductions and has said that Eastern's assets would be deployed elsewhere if an agreement could not be reached.

The company announced on Wednesday that it was eliminating 3,500 jobs to cut costs.

John W. Nelson, vice president of marketing at Eastern, said Friday that the steps to turn the shuttle into an airline within an airline were taken to improve its performance and its ability to compete.

PROCURE: Bleak Outlook for U.S. Military Firms

(Continued from first finance page)

Harrier attack jets from McDonnell Douglas.

"Things are definitely tougher on the contracting front," said Daniel R. Stanley, manager of government programs and business planning at McDonnell Douglas.

"We have to be more competitive. The environment makes it more difficult to make money."

Perhaps most worrisome to the industry are the possible long-term effects of sustained budget cutting on the ATF and on the air force's next generation of fighter planes, called the Advanced Tactical Fighter, or ATF. Those two programs are not only among the biggest in the works — the air force projects that it will spend \$40 billion to build 750 of the ATF's — but they are also the most important examples of the new risks inherent in competing for major contracts.

Two teams of contractors are competing to build the ATF. One consists of Lockheed Corp., Boeing Co. and General Dynamics. The

other is made up of the Northrop Corp. and McDonnell Douglas. The six force has awarded each team a \$691 million contract to design and build two flying prototypes. Each group, however, is expected to put around \$400 million of its own money into the project, a practice known as cost sharing.

Even if the ATF program proceeds as planned, members of the losing team will suffer significant write-offs as their cost sharing goes down the drain. But if budget cuts cause the program to be stretched out over a longer period or reduce the number of planes ordered, even the winning team might have difficulty making a profit, analysts say.

In the worst case, Congress could opt not to fund production at all, leaving both teams in the cold.

Even when a company wins a project unaffected by budget cuts, it can no longer count on an automatic, hefty profit — a result of stricter procurement and payment rules spawned partly by widely publicized cost overruns and abuses, such as \$400 hammers.

Progress payments by the Pentagon have been reduced to 75 percent of contractors' monthly expenses from 90 percent, with the payments in many cases being made after 30 days instead of 15. Profit margins have been trimmed by a percentage point or so, to about 11 percent on the average production contract.

Meanwhile, the new tax law has hit some contractors hard. It significantly tightened a loophole that had previously permitted them to delay paying taxes on profits until a program was completed. A further tightening of that rule has been proposed.

To cope with the new environment, most major aerospace companies are starting to slim down and cut costs.

"There are a lot of companies that built organizations to go after business that is not going to be there in the amount they had hoped," said John N. Simon, an analyst at Seidler Amdur Securities in Los Angeles.

In Hungary, an MBA at the Podium

Joint Venture Will Train Managers the American Way

By Henry Karmm
New York Times Service

BUDAPEST — In another sign that Hungary is expanding its ideological horizons, an American-style management training institute will be established here in a joint venture with the United States.

The institute apparently will be the first such school of business administration in a European Communist country.

Indiana University will play a leading role in the training institute along with other American universities, said John C. Whitehead, the U.S. deputy secretary of state, on Friday. Mr. Whitehead appeared at a joint news conference at the Hungarian Foreign Ministry to sign a new cultural agreement between the two countries.

The institute, which is to offer a full curriculum by next September, is innovative in two major ways: It demonstrates Hungary's willingness to explore other ideological views, even to the point of embracing capitalist management methods, and it is intended to become a profit-making enterprise for its American and Hungarian partners.

Gyula Horn, Hungary's state secretary for foreign affairs, was asked if the joint venture meant that Hungary, whose economy is troubled in serious difficulty, felt it could benefit from adopting modern American management methods.

"We want to make maximum use of everything that our experts can learn from the United States," Mr. Horn replied. "Studying and adopting these methods is very much part of our reforms."

He added, "There are many differences in the socialist and capitalist visions of the world, but there are no such differences in the relationships of the market. It follows its own rules, they are objective, and the better we put them to use, the better it will be for our economy."

Asked whether the school had run into resistance from ideological conservatives, she said, "Not yet."

Ms. Ranki said that a small estate near Budapest had been acquired to house the institute. Candidates are being interviewed at U.S. universities for the post of academic dean, and the institute is recruiting four full-time American and West European professors to head the main departments.

Ms. Ranki said that the curriculum would include a 10-month course for 30 professionals who have five years of working experience. It also will feature intensive short-term seminars for mid-level and senior executives. About 600 executives are expected to attend each year.

English will be the main teaching language, particularly for younger students. Simultaneous translation is planned for the seminars. Ms. Ranki said she expected pilot courses to begin in March.

Armand Hammer, the American industrialist who has forged strong business ties with Communist countries, has agreed to serve as honorary chairman of the school's board. He and George Soros, a New York money manager of Hungarian birth, are providing convertible currency to start the venture.

The Hungarian partners are the Hungarian Credit Bank, the Hungarian Chamber of Commerce, and Szenzor, a management consulting concern. The school's revenue will consist of fees paid by companies that send employees for training and payments for consulting services.

The estimated tuition fees are very steep for a country in which education is free. The 10-month course will cost 500,000 forints (about \$11,000). The shorter sessions will range from 30,000 to 100,000 forints.

She said she saw no contradiction between her four years of study of Marxist Leninism at Karl Marx University and instruction in capitalist business administration. "The objective is to equip our managers with all skills and knowledge to be competitive," she said.

U.S. Consumer Rates

Index	Nov. 13
Textile and Apparel	84.0%
Food and Beverage	84.0%
Household Durables	84.0%
Transportation	84.0%
Health and Recreation	84.0%
Home Furnishings	84.0%
Books and Periodicals	84.0%
Health and Recreation	84.0%
Home Furnishings	84.0%
Books and Periodicals	84.0%

Source: New York Times.

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NASDAQ National Market

OTC Consolidated trading for week ended Friday, Nov. 13

Sales In	100s	High	Low	Close	Chg
AAW Ba	20	47	47	47	0
AAW Bb	20	47	47	47	0
AAW Bc	20	47	47	47	0
AAW Bd	20	47	47	47	0
AAW Be	20	47	47	47	0
AAW Bf	20	47	47	47	0
AAW Bg	20	47	47	47	0
AAW Bh	20	47	47	47	0
AAW Bi	20	47	47	47	0
AAW Bj	20	47	47	47	0
AAW Bk	20	47	47	47	0
AAW Bl	20	47	47	47	0
AAW Bm	20	47	47	47	0
AAW Bn	20	47	47	47	0
AAW Bo	20	47	47	47	0
AAW Bp	20	47	47	47	0
AAW Bq	20	47	47	47	0
AAW Br	20	47	47	47	0
AAW Bs	20	47	47	47	0
AAW Bt	20	47	47	47	0
AAW Bu	20	47	47	47	0
AAW Bv	20	47	47	47	0
AAW Bw	20	47	47	47	0
AAW Bx	20	47	47	47	0
AAW By	20	47	47	47	0
AAW Bz	20	47	47	47	0
AAW Ba	20	47	47	47	0
AAW Bb	20	47	47	47	0
AAW Bc	20	47	47	47	0
AAW Bd	20	47	47	47	0
AAW Be	20	47	47	47	0
AAW Bf	20	47	47	47	0
AAW Bg	20	47	47	47	0
AAW Bh	20	47	47	47	0
AAW Bi	20	47	47	47	0
AAW Bj	20	47	47	47	0
AAW Bk	20	47	47	47	0
AAW Bl	20	47	47	47	0
AAW Bm	20	47	47	47	0
AAW Bn	20	47	47	47	0
AAW Bo	20	47	47	47	0
AAW Bp	20	47	47	47	0
AAW Bq	20	47	47	47	0
AAW Br	20	47	47	47	0
AAW Bs	20	47	47	47	0
AAW Bt	20	47	47	47	0
AAW Bu	20	47	47	47	0
AAW Bv	20	47	47	47	0
AAW Bw	20	47	47	47	0
AAW Bx	20	47	47	47	0
AAW By	20	47	47	47	0
AAW Bz	20	47	47	47	0

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AAW Ba	20	47	47	47	0
AAW Bb	20	47	47	47	0
AAW Bc	20	47	47	47	0
AAW Bd	20	47	47	47	0
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AAW Bf	20	47	47	47	0
AAW Bg	20	47	47	47	0
AAW Bh	20	47	47	47	0
AAW Bi	20	47	47	47	0
AAW Bj	20	47	47	47	0
AAW Bk	20	47	47	47	0
AAW Bl	20	47	47	47	0
AAW Bm	20	47	47	47	0
AAW Bn	20	47	47	47	0
AAW Bo	20	47	47	47	0
AAW Bp	20	47	47	47	0
AAW Bq	20	47	47	47	0
AAW Br	20	47	47	47	0
AAW Bs	20	47	47	47	0
AAW Bt	20	47	47	47	0
AAW Bu	20	47	47	47	0
AAW Bv	20	47	47	47	0
AAW Bw	20	47	47	47	0
AAW Bx	20	47	47	47	0
AAW By	20	47	47	47	0
AAW Bz	20	47	47	47	0
AAW Ba	20	47	47	47	0
AAW Bb	20	47	47	47	0
AAW Bc	20	47	47	47	0
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AAW Bq	20	47	47	47	0
AAW Br	20	47	47	47	0
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AAW Bu	20	47	47	47	0
AAW Bv	20	47	47	47	0
AAW Bw	20	47	47	47	0
AAW Bx	20	47	47	47	0
AAW By	20	47	47	47	0
AAW Bz	20	47	47	47	0

Sales In	100s	High	Low	Close	Chg
AAW Ba	20	47	47	47	0
AAW Bb	20	47	47	47	0
AAW Bc	20	47	47	47	0
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AAW Be	20	47	47	47	0
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AAW Bg	20	47	47	47	0
AAW Bh	20	47	47	47	0
AAW Bi	20	47	47	47	0
AAW Bj	20	47	47	47	0
AAW Bk	20	47	47	47	0
AAW Bl	20	47	47	47	0
AAW Bm	20	47	47	47	0
AAW Bn	20	47	47	47	0
AAW Bo	20	47	47	47	0
AAW Bp	20	47	47	47	0
AAW Bq	20	47	47	47	0
AAW Br	20	47	47	47	0
AAW Bs	20	47	47	47	0
AAW Bt	20	47	47	47	0
AAW Bu	20	47	47	47	0
AAW Bv	20	47	47	47	0
AAW Bw	20	47	47	47	0
AAW Bx	20	47	47	47	0
AAW By	20	47	47	47	0
AAW Bz	20	47	47	47	0
AAW Ba	20	47	47	47	0
AAW Bb	20	47	47	47	0
AAW Bc	20	47	47	47	0
AAW Bd	20	47	47	47	0
AAW Be	20	47	47	47	0
AAW Bf	20	47	47	47	0
AAW Bg	20	47	47	47	0
AAW Bh	20	47	47	47	0
AAW Bi	20	47	47	47	0
AAW Bj	20	47	47	47	0
AAW Bk	20	47	47	47	0
AAW Bl	20	47	47	47	0
AAW Bm	20	47	47	47	0
AAW Bn	20	47	47	47	0
AAW Bo	20	47	47	47	0
AAW Bp	20	47	47	47	0
AAW Bq	20	47	47	47	0
AAW Br	20	47	47	47	0
AAW Bs	20	47	47	47	0
AAW Bt	20	47	47	47	0
AAW Bu	20	47	47	47	0
AAW Bv	20	47	47	47	0
AAW Bw	20	47	47	47	0
AAW Bx	20	47	47	47	0
AAW By	20	47	47	47	0
AAW Bz	20	47	47	47	0

LCA - 11.50 - INCOME - WS 046 - Moët Vuitton gains - GT - 12.11.87 - Garmond ITC - Logo Len sans contour

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MOËT HENNESSY • LOUIS VUITTONNET SALES INCREASE 17%
THROUGH SEPTEMBER 30, 1987

At their November 5, 1987, meeting, the Directors of LVMH Moët Hennessy Louis Vuitton reviewed the Group's activity over the first nine months of 1987. Consolidated sales for the period totalled FF 8.6 billion, representing a 17% increase over the comparable pro forma figures for the first nine months of 1986.

(In FF million)	1987	1986 pro forma	87/86 % change
Champagne and wines	2,669	2,662	+ 0.3%
Cognac and spirits	1,872	1,642	+ 14.0%
Perfumes & cosmetics	2,274	1,853	+ 22.7%
Luggage, leather goods & accessories	1,623	1,204	+ 34.8%
Other	227	55	-
	8,665	7,416	+ 16.8%

For the 1987 period, the breakdown of Group sales by currency is as follows: US dollar 29% (US dollar exposure for 1988 has been fully hedged), French franc 28%, Japanese yen 14%, Deutsche mark and related currencies 7%, and British pound 6%.

The Group continues to project a 20% gain in net income for the year, in line with the combined earnings of Moët Hennessy and Louis Vuitton at mid-year.

SELECTED U.S.A./O.T.C. QUOTATIONS

	BID	ASK
Alon Jones Pit Stop	2 1/4	2 1/4
Bitter Corp.	2 1/4	2 1/4
Chiron	13 1/4	13 1/4
GoodMark Food	8 1/2	8 1/2
MAG Holdings	1 1/4	1 1/4
NAVAR	1 1/2	1 1/2
Nat. Business Systems	9 1/4	9 1/4

WITH COMPLIMENTS OF
CONTINENTAL AMERICAN
These are indicative market prices

Handwritten note: 11/16/87

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Sales in 100s	High	Low	Close	Net Change
100	100	100	100	0
200	200	200	200	0
300	300	300	300	0
400	400	400	400	0
500	500	500	500	0
600	600	600	600	0
700	700	700	700	0
800	800	800	800	0
900	900	900	900	0
1000	1000	1000	1000	0

Sales in 100s	High	Low	Close	Net Change
100	100	100	100	0
200	200	200	200	0
300	300	300	300	0
400	400	400	400	0
500	500	500	500	0
600	600	600	600	0
700	700	700	700	0
800	800	800	800	0
900	900	900	900	0
1000	1000	1000	1000	0

Sales in 100s	High	Low	Close	Net Change
100	100	100	100	0
200	200	200	200	0
300	300	300	300	0
400	400	400	400	0
500	500	500	500	0
600	600	600	600	0
700	700	700	700	0
800	800	800	800	0
900	900	900	900	0
1000	1000	1000	1000	0

Sales in 100s	High	Low	Close	Net Change
100	100	100	100	0
200	200	200	200	0
300	300	300	300	0
400	400	400	400	0
500	500	500	500	0
600	600	600	600	0
700	700	700	700	0
800	800	800	800	0
900	900	900	900	0
1000	1000	1000	1000	0

Sales in 100s	High	Low	Close	Net Change
100	100	100	100	0
200	200	200	200	0
300	300	300	300	0
400	400	400	400	0
500	500	500	500	0
600	600	600	600	0
700	700	700	700	0
800	800	800	800	0
900	900	900	900	0
1000	1000	1000	1000	0

From a Glance

Yield	Rate
100	100
200	200
300	300
400	400
500	500
600	600
700	700
800	800
900	900
1000	1000

Yield	Rate
100	100
200	200
300	300
400	400
500	500
600	600
700	700
800	800
900	900
1000	1000

Yield	Rate
100	100
200	200
300	300
400	400
500	500
600	600
700	700
800	800
900	900
1000	1000

Review

Yield	Rate
100	100
200	200
300	300
400	400
500	500
600	600
700	700
800	800
900	900
1000	1000

AMEX Most Active

Yield	Rate
100	100
200	200
300	300
400	400
500	500
600	600
700	700
800	800
900	900
1000	1000

AMEX Dealers

Yield	Rate
100	100
200	200
300	300
400	400
500	500
600	600
700	700
800	800
900	900
1000	1000

Chicago Exchange Options

Figures as of close of trading Friday, November 13.

Option & price	Calls	Puts
100	100	100
200	200	200
300	300	300
400	400	400
500	500	500
600	600	600
700	700	700
800	800	800
900	900	900
1000	1000	1000

WestLB

Deutsche Landesbank

Mutual Funds

Figures as of close of trading Friday, November 13.

NEW YORK (AP)—	Assets	Assets	Assets	Assets
100	100	100	100	100
200	200	200	200	200
300	300	300	300	300
400	400	400	400	400
500	500	500	500	500
600	600	600	600	600
700	700	700	700	700
800	800	800	800	800
900	900	900	900	900
1000	1000	1000	1000	1000

Science

IN THE IHT EVERY THURSDAY.
A FULL PAGE ON RECENT DISCOVERIES
IN SCIENCE AND MEDICINE

SPORTS

SPORTS BRIEFS

Bean Wins in Hawaii Golf, Marsh in Japan

KAPALUA, Hawaii (UPI)—Andy Bean of the United States shot a five-under-par 67 on Saturday to post a three-stroke victory over compatriot Lanny Wadkins and successfully defend his title at the Kapalua International golf tournament.

Bean held a one-stroke lead over Sandy Lyle of Scotland heading into the final round, but distanced himself from the field with six birdies and a bogey in the final 18 holes, finishing at 267. Wadkins, who started the final round three strokes behind Bean, finished at 270 while Lyle was third, at 271-272.

In Gotemba, Japan, Graham Marsh of Australia came from four strokes back Sunday with a bogey-free 66 to win the Taiheiyo Club Masters tournament by a stroke. Marsh, teeing off in 11th place, caught the leaders with birdies on the first three holes and on holes 16 and 18, finishing 12 under par at 276. Tom Watson of the United States shot 70, finishing second at 277. Kikuo Arai of Japan, who shot 69, was third at 278. Third-round leader Koichi Suzuki of Japan tied for sixth place, at 281.

Rugby Slates World Cups for Every 4 Years

AGEN, France (Combined Dispatches)—Rugby will have a World Cup every four years, the International Rugby Football Board announced Saturday at the end of a week of meetings. Without naming host countries, the board said the next World Cup would be in 1991 in the Northern Hemisphere and in 1995 in the Southern Hemisphere.

A decision on future playing relations with South Africa was deferred by the board, which admitted as associate members Fiji, Romania and Tonga. They join Argentina, Canada, Italy, Japan, the United States and Zimbabwe. The full members are Australia, England, France, Ireland, New Zealand, Scotland, South Africa and Wales. New Zealand won the inaugural World Cup, played in May and June in New Zealand and Australia, with France the runner-up. (IHT, Reuters)

For the Record

Mack Lobell set a world record of 1:54 1/5 for a five-eighths-mile track in the Breeders Crown Trot for 3-year-old colts Friday night in Pompano Park, Florida. Saturday, Stage Entrance set a record of 1:39 1/5 for 2-year-old fillies. (AP)

Louis Espinosa of the United States is to defend his World Boxing Association junior featherweight title against Julio Garcia of Puerto Rico on Nov. 28 in San Juan, Puerto Rico. (AP)

South Korea rejected North Korea's plan for one Korean team at the 1988 Olympics in Seoul. (AP)

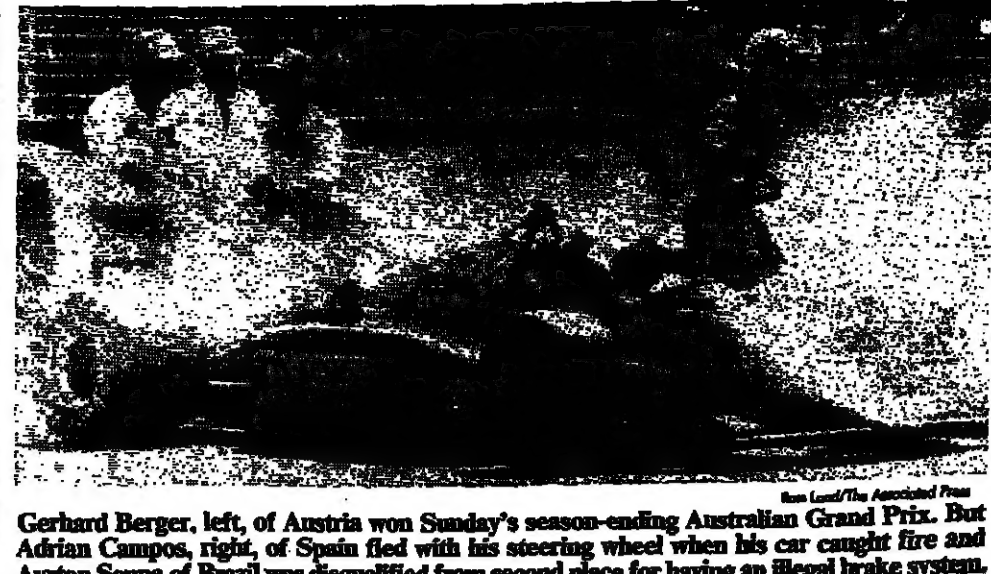
Lady's Secret, 1986 horse of the year, brought a top bid of \$5.4 million Saturday at a sale in Kentucky. (AP)

Solution to Friday's Puzzle

ACROSS
1 Leoline name
6 Dress
10 Dallas Univ.
12 Regarding
13 Expansive
14 James
15 U.S. author
16 Suffix with
17 labor or victor
18 V.L. site of
19 British defeat
20 1777
21 Pretax
22 Finish
23 Travels
24 How we stand
25 Takes offense
26 Big Broadway
27 Across
28 Michelle
29 Lee J. or Ty
30 Youth org.
31 Intense;
32 violent
33 Koorang 20's
34 Tucked in for
35 the night
36 Flogged
37 Burden
38 French
39 President:
40 1954-59
41 Versifier Nash
42 October brew
43 October brew

Solution to Friday's Puzzle

DOWN
1 One-edged sword
2 A Castle
3 Repairs
4 Probable
5 Evenly placed
6 Duels
7 Pledges
8 Business reps.
9 Antique auto
10 Supplied
11 Fighting Irish campus site
12 Ponder
13 Ponder
14 Ponder
15 Ponder
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42 Ponder
43 Ponder



Gerhard Berger, left, of Austria won Sunday's season-ending Australian Grand Prix. But Adrian Campos, right, of Spain fled with his steering wheel when his car caught fire and Ayrton Senna of Brazil was disqualified from second place for having an illegal brake system.

UEFA Fines Spain, Bans Hajduk Split for 2 Years

BERN — The Union of European Football Associations has fined the Spanish Soccer Federation 100,000 Swiss francs (\$71,942) because a linesman was hit by a bottle thrown from the stands during a European Championship qualifying match.

That was the heaviest penalty levied by UEFA's disciplinary committee, which met Friday to deal with more than three dozen incidents in European matches. More than 200,000 francs in fines were levied.

In finding Spain, UEFA said, it took into account that the incident, in Seville during a match against Austria, was not the first time a referee or linesman had been molested in Spain.

The Yugoslav club Hajduk Split was banned from the next two European club competitions for which it qualifies because its Cupwinners Cup match Nov. 5 against Marseille had to be halted for 30 minutes after tear gas was thrown onto the field. UEFA also ruled that no match under its auspices could be held at Hajduk Split's stadium, including those involving the Yugoslav national team. Marseille was fined 5,000 francs over the incident.

Linfield, of Northern Ireland, was ordered to play its next two home matches, in any of the three European club competitions, at least 150 kilometers (93 miles) from home because during a home match against the Norwegian club Lillestrom in the UEFA Cup spectators threw objects onto the field.

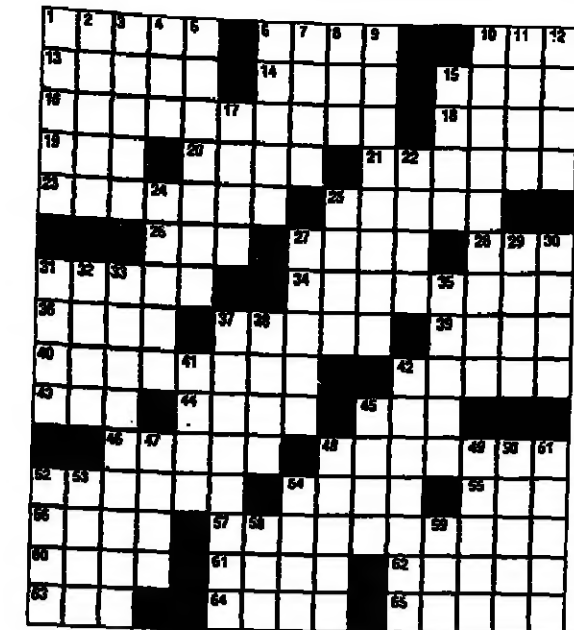
The heaviest fined clubs included Holland's Hibernia, 15,000 francs because spectators threw objects and invaded the pitch at a game against Galatasaray of Turkey, and Galatasaray, 7,500 francs for its fans' misbehavior at the game. Sporting Bucharest was fined 8,000 francs because of its players' misbehavior in a UEFA Cup match against Brondby of Denmark. Real Madrid was fined 6,000 francs because fireworks were thrown at its Champions' Cup game against Porto, and Ajax of Amsterdam was fined 5,000 francs because banners in the stands were set afire during a match against Hamburg.

The longest suspension was that of Real Agnes, coach of Chaves of Portugal, for six European club competition games for insulting the referee in the Cup match against Honved Budapest.

Stanislav Griga of Sparta Prague, who was sent off after attacking an opponent in a game against Anderlecht, got a four-match ban, as did Azimul Mubashir of Dynamo Tbilisi and Agim Babek of Flamurtari Vlore, for the same reason. Ireland's Liam Brady was suspended four games for violence, as was Portugal's Sousa. Czechoslovakia's Stefan Lubos drew a three-match ban.

West German Rioting
Ten people, three of them policemen, were injured and 40 were arrested Saturday at Gelsenkirchen, West Germany, after a riot at the West German League match between Schalke '04 and FC Cologne. Agents-France Presse reported.

Trouble began before the kickoff, continued throughout the match and ended in a pitched battle between 600 rival fans. Several of the injured were hit by fireworks, while the policemen were hit by stones thrown by the rioters.



ACROSS
1 Leoline name
6 Dress
10 Dallas Univ.
12 Regarding
13 Expansive
14 James
15 U.S. author
16 Suffix with
17 labor or victor
18 V.L. site of
19 British defeat
20 1777
21 Pretax
22 Finish
23 Travels
24 How we stand
25 Takes offense
26 Big Broadway
27 Across
28 Michelle
29 Lee J. or Ty
30 Youth org.
31 Intense;
32 violent
33 Koorang 20's
34 Tucked in for
35 the night
36 Flogged
37 Burden
38 French
39 President:
40 1954-59
41 Versifier Nash
42 October brew
43 October brew

Dennis the Menace



"SEE? I CAN TOUCH A FROG!" "LET ME KNOW WHEN THE WARTS START SHOWING."

JUMBLE
Unscramble these four Jumbles, one letter to each square, to form four ordinary words.
LOVEN
NOGGI
DYGOTS
YOMFID
Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.
Answer: WHAT SHE
Friday's Jumbles: DITTY MAKER ABUSED HAZARD
Answer: From all that running in the underworld you can expect this—A DEAD HEAT!

WEATHER

EUROPE	HIGH	LOW	ASIA	HIGH	LOW
Algeria	62	48	Beijing	62	48
Athens	62	48	Bombay	62	48
Bombay	62	48	Buenos Aires	62	48
Buenos Aires	62	48	Calcutta	62	48
Calcutta	62	48	Cairo	62	48
Cairo	62	48	Canton	62	48
Canton	62	48	Chongqing	62	48
Chongqing	62	48	Cebu	62	48
Cebu	62	48	Dacca	62	48
Dacca	62	48	Dhaka	62	48
Dhaka	62	48	Hankow	62	48
Hankow	62	48	Hong Kong	62	48
Hong Kong	62	48	Kobe	62	48
Kobe	62	48	London	62	48
London	62	48	Manila	62	48
Manila	62	48	Moscow	62	48
Moscow	62	48	Odessa	62	48
Odessa	62	48	Peking	62	48
Peking	62	48	Rangoon	62	48
Rangoon	62	48	Shanghai	62	48
Shanghai	62	48	Singapore	62	48
Singapore	62	48	Tientsin	62	48
Tientsin	62	48	Yokohama	62	48
Yokohama	62	48			

MIDDLE EAST
Algeria 62 48
Athens 62 48
Bombay 62 48
Buenos Aires 62 48
Calcutta 62 48
Cairo 62 48
Canton 62 48
Chongqing 62 48
Cebu 62 48
Dacca 62 48
Dhaka 62 48
Hankow 62 48
Hong Kong 62 48
Kobe 62 48
London 62 48
Manila 62 48
Moscow 62 48
Odessa 62 48
Peking 62 48
Rangoon 62 48
Shanghai 62 48
Singapore 62 48
Tientsin 62 48
Yokohama 62 48

PEANUTS



BLONDIE



BEETLE BAILEY



ANDY CAPP



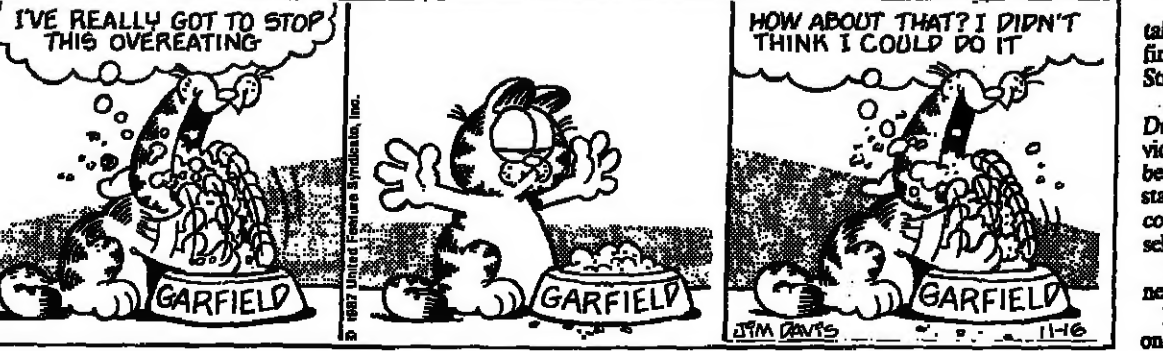
WIZARD of ID



REX MORGAN



GARFIELD



WORLD STOCKS IN REVIEW / Via Agence France-Presse

Frankfurt

The pessimistic mood on the Frankfurt Stock Exchange lightened somewhat last week, with the Commerzbank share index retreating just 26 points, or 2 percent.

The index reached a low of 1,220.9 on Tuesday, but benefited Thursday from a report on a narrowing of the U.S. trade deficit for September. The index closed on Friday at 1,379, after three daily gains.

Hong Kong

Share prices rose impressively last week following rumors about a takeover bid for Hongkong Land. The key market barometer, the Hang Seng index, rose 113.07 to 2,226.74.

After a sharp loss Tuesday, stocks rose sharply Thursday on a rumored bid for Hongkong Land, the territory's biggest property firm.

London

Prices on the London Stock Exchange began the week on an uncertain note, then rose steadily before a drop on Friday. The FTSE index ended the week 37.5 points at 1,678.3.

Friday's retreat was attributed to continuing uncertainty about the outcome of budget deficit talks in Washington.

Milan

Shares recovered some ground in Milan in a strong end-of-the-week rally after touching new lows a few days before. The exchange index closed Friday at 689, up 3 points for the week.

The index fell to 661, a 1987 low, on Tuesday after two days of heavy selling. Since Jan. 2, when the index touched 1,000 points, it has fallen 31 percent, most of that in the past month.

Paris

Share prices on the Paris Bourse slid for the fourth consecutive week, with the CAC index falling to 7.9 points, to 292.0.

RISKS: Wall Street Is Seeking a Steadier Path

(Continued from first finance page)

large sums of the investment firms' own money.

Most of the big firms increased the amount of capital they used to speculate in takeover stocks, but the essence of their merger work was advisory. Merger specialists at the investment banks advised corporate clients on takeover strategy in exchange for a percentage of any deal that came through. The percentage fees sometimes ranged into the tens of millions of dollars.

The incentive fees available in merger work, however, gave rise to intense competition in the field. That competition led the major investment houses to begin risking their own capital as a way to secure more business. Moreover, the rapid growth of the firms put pressure on investment-firm managements to maintain profits that would support expansion.

"They have all built tremendous overhead structures, not only in the U.S., but in London and Tokyo," said Chrysler Corp.'s treasurer, Fred Zuckerman, who oversees the automaker's dealings with its Wall Street advisers. "There has to be pressure to take risks to try to recover some of the start-up costs associated with these huge structures."

Bridge loans came into wide use in this environment not only as a means to secure large fees, but also as a competitive response by some firms to Drexel's dominant role in the highly profitable takeover field.

Drexel's ability to provide financing for takeovers by selling junk bonds provided the firm with a major advantage over rival Wall Street investment banks.

Michael Milken, the influential head of Drexel's junk-bond department, routinely provided his clients—who include the country's best-known corporate raiders—with a letter stating that Drexel was "highly confident" it could raise money for a particular takeover by selling junk bonds.

That letter often gave clients the muscle they needed to complete takeover agreements.

Rival firms found that bridge loans provided one effective way to compete with Mr. Milken.

By using their own capital to make short-term loans to bidders while a takeover attempt was under way, the firms matched the power of Mr. Milken's "highly confident" letters.

Once a takeover was completed, the loans were repaid through the sale of junk bonds or other securities. But whereas Mr. Milken risked only his reputation by promising to deliver financing, his rivals put up hundreds of millions of dollars in capital.

The Southland deal is likely to accelerate the reassessment of strategy already under way at several major Wall Street firms, officials at the investment banks said.

"It will drive everyone who has a simple brain in their mind to make sure that at any one point in time, their exposures will be reduced to some manageable percentage of their capital," said John Heilmann, vice chairman of Merrill Lynch & Co.'s capital markets group. "Not only will you hedge 'your risk' in any one transaction, but also in a group of transactions so the contagion effect of markets when they fall doesn't catch you."

Mr. Heilmann said he was not criticizing Goldman and Salomon specifically since he did not know whether they had taken such factors into account in the Southland deal.

"There will be a lot more attention than we've seen in the past to old-fashioned risk management and risk diversification," Mr. Heilmann said.

The stock market collapse has put a damper on takeover activity, at least temporarily. Nearly all the major investment houses firms suffered large losses in their risk-arbitrage departments on Oct. 19, when the Dow Jones industrial average plummeted 508 points, according to Penn Long, an investment banking analyst. And most have sharply curtailed arbitrage activity.

"All in all, it's shaken the managements of these firms; they are looking at how they should restructure," Mr. Long said. "Most of them believe that they have too many people and I would anticipate that we will see, as we move into 1988, downsizing the number of people these firms have."

JPN/10/150

Top-Rated Sooners Barely Beat Missouri

The Associated Press
NORMAN, Oklahoma — With two key starters, quarterback Jamelle Holloway and fullback Lydell Carr, out with injuries, top-ranked Oklahoma may no longer be the best U.S. college football team.

The Sooners struggled to beat Missouri, 17-13, here Saturday, losing four of their fumbles and failing to score a touchdown until 45 seconds before halftime.

Late in the game the defense held off two Missouri drives, one with a interception, to give the Sooners a 10-0 record going into next Saturday's showdown with second-ranked Nebraska, which is 9-0.

"If we play the way we have been playing, we might get beat by 40 points," Oklahoma's coach, Barry Switzer, said of the Nebraska game.

The defense can't do it alone. We have to hold onto the football and not make so many mistakes.

Holloway's backup, Charles Thompson, scored on a 14-yard run in the third quarter to make the score 17-3. He finished with 91 yards rushing and 104 passing while Carr's backup, Robert Anderson, ran for 118 yards.

The Sooners had averaged 49 points per game with Holloway and Carr playing, but when Missouri's halfback Michael Jones scored on a 28-yard run one play after Thompson fumbled late in the third quarter, the Sooners led by just 17-10.

Tom Wheelahan's 45-yard field goal with 8:13 to play brought Missouri within four points.

To add to Switzer's problems, the linemen in one knee were damaged when he was hit by players coming out of bounds in the first quarter. He hobbled about with the knee heavily wrapped until halftime, then walked with a cane during the second half.

Miami (Florida) 27, Virginia Tech 13; In Miami, Melvin Braton, whose fumble one play earlier was negated by a penalty, swept untouched for a one-yard touchdown that broke a 13-13 tie with 4:51 left and made Miami 8-0.

Florida State 41, Furman 10; In Tallahassee, Florida, Sammie Smith scored on runs of 95 and 20 yards as Florida State beat a Division I-AA team. Smith gained 176 yards on 15 carries for the Seminoles, now 9-1.

UCLA 47, Washington 14; In Pasadena, California, Troy Aikman passed for a touchdown and ran for one as UCLA scored 17 points in the third quarter. The Bruins are 9-1 overall, 7-0 in the Pacific-10 Conference, and with a victory over Southern Cal next Saturday would become the first team with a perfect league record since 1976.

Syracuse 45, Boston College 17; In Syracuse, New York, the Orangemen, 10-0, scored 17 points in the last 10 minutes of the first half to tie at 17, then got 28 points in the second half, behind the passing of quarterback Don McPherson.

Notre Dame 37, Alabama 6; In

U.S. COLLEGE FOOTBALL

South Bend, Indiana, Tony Rice ran 12 yards for a touchdown to put Notre Dame ahead and passed to Andy Hoke for another as the Fighting Irish, 8-1, landed Alabama, 7-3, its most lopsided loss in 16 years. Tim Brown caught four passes for 114 yards and became Notre Dame's career leader in receiving yards, with 2,371.

Auburn 27, Georgia 11; In Athens, Georgia, Jeff Burger passed for 217 yards and two touchdowns as the Tigers went to 8-1 overall, 4-0 in the Southeastern Conference. A victory Nov. 27 over Alabama will clinch the conference title. Georgia fell to 7-3, 4-2.

Clemson 45, Maryland 16; In Clemson, South Carolina, Rodney Williams passed for two touchdowns and Terry Allen ran for two as the Tigers won the Atlantic Coast Conference title, beating Maryland for the first time since 1983. Clemson, 9-1 and 6-1, has won a record 10 titles and tied for another.

Louisiana State 34, Mississippi State 14; In Baton Rouge, Louisiana, Tommy Hodson threw two touchdowns passes and Sam Martin scored twice as LSU raised its record to 8-1-1, 5-1 in the SEC.

Michigan State 27, Indiana 3; In East Lansing, Michigan, Lorenzo White rushed 56 times for 292 yards and scored twice during the 27-3 defeat of Indiana that gave Michigan State the Big Ten title.

South Carolina 30, Wake Forest 6; In Winston-Salem, North Carolina, Harold Green ran for two touchdowns and caught a scoring pass from Todd Ellis for South Carolina, 7-2. The team's defense has not allowed a point in eight quarters.

Pittsburgh 10, Penn State 0; In Pittsburgh, Jeff VanHome kicked a 44-yard field goal on Pitt's first possession and Billy Owens ran an interception 69 yards for a touchdown in the last minute in helping Penn State in Pitt Stadium for the first time since 1965. Both teams are 7-3.

Oklahoma State 49, Kansas 17; In Lawrence, Kansas, Thurman Thomas ran for 202 yards and three touchdowns, and Barry Sanders returned a kickoff 100 yards for a touchdown for Oklahoma State, 8-2.

Tennessee 33, Mississippi 13; In Knoxville, Tennessee, quarterback Kevin Randleman began and ended Tennessee's 28-point second quarter, first with a touchdown pass, then a scoring run, and another freshman, Reggie Cobb, scored three touchdowns as the Volunteers improved to 7-3 overall, 2-1 in the Southeastern Conference.

Texas A&M 14, Arkansas 0; In College Station, Texas, third-string quarterback Craig Stump passed for one touchdown and Rod Harris returned a punt 66 yards for another as the Aggies kept alive their title hopes by raising their record to 7-2 overall, 4-1 in the Southwest Conference. Arkansas fell to 7-3, 5-2.

Cornell 51, Columbia 20; In Ithaca, New York, quarterback Dave Dase threw three touchdowns passes as his team extended Cornell's losing streak, college football's longest, to 40 games.



Lorenzo White, who could see trouble coming, rushed 56 times for 292 yards and scored twice during the 27-3 defeat of Indiana that gave Michigan State the Big Ten title.

Dickerson Leads Colts Over Dolphins, 40-21

The Associated Press
MIAMI — Eric Dickerson rushed for 154 yards and a touchdown, and Dean Busco kicked four field goals as Indianapolis ended Miami's domination of the Colts with a 40-21 National Football League victory over the Dolphins here Sunday afternoon.

The triumph in Joe Robbie Stadium stopped Miami's 14-game winning streak against the Colts and enabled Indianapolis to remain in first place in the American Football Conference Eastern Division with a 5-4 record.

Miami, which started the day in a five-way tie for the division lead with the Colts, Buffalo Bills, New England Patriots and New York Jets, fell to 4-5.

The Dolphins committed five turnovers and got a mediocre passing performance from Dan Marino, who completed 14 of 34 attempts for 194 yards and two touchdowns.

Indianapolis, which has now beaten each of its conference rivals at least once this season, took advantage of three fumbles forced by Colts linebacker Cliff Odum and wiped out an early 14-0 deficit with two touchdowns within a 53-second span of play.

Miami led 21-20 at halftime but was shut out in the second half. Odum forced Lorenzo Hampton to fumble at the Indianapolis one-yard line, Marino threw an interception, and on the final play of the game, Marino's backup, Don Strock, threw another.

Dickerson, starting his second game since Indianapolis obtained him in a trade last month with the Los Angeles Rams, became the first runner to rush for more than 100 yards on the Dolphins defense this season.

Quarterback Gary Hogeboom, returning to the Colts lineup after missing three games with a rib injury, completed 22 of 39 passes for 218 yards.

Albert Bentley, who lost the

NFL ROUNDOUP

Colts starting running back job when Dickerson was acquired, scored on runs of 17 and 2 yards in the fourth quarter.

Browns 27, Bills 21; In Cleveland, Bernie Kosar passed for 346 yards and two touchdowns, winning a duel with his former college teammate, Jim Kelly, as Cleveland downed Buffalo.

Kosar, who did not play in 1982 during his freshman year at Miami of Florida when Kelly was a senior, completed 24 of 34 passes and threw touchdowns of 15 yards to Reggie Langhorne and 52 yards to Webster Slaughter.

Slaughter returned a fumble by Pete Metzler 27 yards for another Cleveland touchdown, offsetting a 56-yard fumble return by Mark Kelso that accounted for Buffalo's only first-half score.

Others 23, Steelers 3; In Pittsburgh, Warren Moon threw three touchdowns to pass to Curtis Duncan and Drew Hill as Houston beat Pittsburgh and ended a decade-long series of defeats in Three Rivers Stadium.

Moon completed 18 of 24 passes for 252 yards as the Oilers, off to their best start in seven years, won in Pittsburgh for the first time since 1978. The Oilers, 6-3, remained tied for the American Football Conference Central Division lead with Cleveland while ending a four-game losing streak against the Steelers. Pittsburgh fell to 5-4.

Jets 16, Chiefs 9; In Kansas City, Missouri, Freeman McNeil, benched a week ago, rushed for 184 yards to help set up three field goals by Pat Leahy, helping New York hand Kansas City a team-record eighth straight loss.

Ken O'Brien threw an 18-yard pass to Al Toon for the only touchdown on a cold, rainy day, as the Jets, who entered the game tied with the other four teams in the AFC Eastern Division, improved their record to 5-4.

Redskins 20, Lions 13; In Washington, Doug Williams, replacing Jay Schroeder at quarterback, threw first-half touchdown passes to Kelvin Bryant and Gary Clark to propel Washington over Detroit.

The Lions were driving for the tying score in the closing minutes, but Darrell Green's third interception of the day, at the Washington 15-yard line, ended the threat with 60 seconds remaining.

Williams entered the game with seven minutes left in the second quarter and the score tied at 3. He immediately directed an 80-yard drive, completing three passes for 47 yards, including a 16-yard scoring pass to Bryant.

Schroeder completed 5 of 10 passes for 33 yards, overthrow two receivers in the end zone and lost a fumble. The Redskins improved to 7-2 as the Lions fell to 2-7.

Rams 27, Cardinals 24; In St. Louis, Charles White gained 62 yards in the final, 94-yard drive by Los Angeles, setting up Mike Lansford's 20-yard field goal on the last play of the game and rallying the Rams over St. Louis.

The drive ended a 13-point, second-half comeback after the Rams had fallen behind 24-14. It helped Los Angeles snap a three-game losing streak to improve its record to 2-7. The Cardinals fell to 3-6.

Vikings 23, Buccaneers 17; In Minneapolis, Chris Doleman forced two fumbles to set up 10 Minnesota points and Tommy Kramer came off the bench to throw his first touchdown pass since Dec. 14, 1986, as the Vikings rallied to beat Tampa Bay.

Doleman, displeased during the off-season about his move from linebacker to defensive end, keyed a defense that held the Buccaneers to 15 yards rushing. Both of the fumbles came when Doleman sacked quarterback Steve Deberg and both were recovered by Keith Millard. The Vikings improved to 5-4. The Buccaneers, 4-5, have been out-scored 62-3 in the fourth quarter in their last four games.

Bowls: Michigan State Gets the Roses

The Associated Press
NEW YORK — Although bowl bids cannot be officially extended until Nov. 21, several college football teams have an idea of where their bowl games for the holidays will be.

Michigan State, known exactly where it will be on New Year's Day. The Spartans beat Indiana on Saturday to clinch the Big Ten Conference title and the Rose Bowl berth.

UCLA, which is undefeated in the Pacific-10 Conference, can win a place in the Rose Bowl with a victory or tie against Southern California next Saturday.

Notre Dame reportedly is to play in the Cotton Bowl on Jan. 1 against the winner of the Southwest Conference. After their games on Saturday, both Texas A&M and Texas had 4-1 records in the SWC.

Unlikely Syracuse is most likely to play in the Sugar Bowl on Jan. 1 against the winner of the Southeastern Conference, where Auburn needs to beat Alabama on Nov. 27 to clinch the title.

Florida State probably will spend New Year's Day at the Fiesta Bowl against the loser of the Oklahoma-Nebraska game Saturday. The winner of that game will head for the Orange Bowl as the No. 1 team in the nation and the Big Eight Conference champion.

The most likely Orange Bowl opponent for the Big Eight winner is Miami of Florida. But the Hurricanes still have to play Notre Dame and South Carolina, so a team such as Syracuse could get the bid.

Clemson, the Atlantic Coast Conference champion, seems headed for the Citrus Bowl, where it could face Penn State or the loser of the Alabama-Auburn game.

Florida, in the Southeastern Conference, may play in the Aloha Bowl in Honolulu on Christmas Day against Oklahoma State, Arizona State or the loser of the Southern California-UCLA game.

Wyoming, in the Western Athletic Conference, probably will face Indiana, Iowa or Texas A&M on Dec. 30 in the Holiday Bowl.

The bowl season begins Dec. 12 with the California Bowl, in which San Jose State is likely to meet Eastern Michigan.

Brawls: Tire Irons in Texas

The Associated Press
EL PASO, Texas — Two men were hospitalized Saturday after at least five car windows were smashed and tire irons used in the close of the football game between the University of Texas-El Paso and Brigham Young University, authorities said.

The brawls were expected to be charged with aggravated assault, according to UT-EP campus police, whose Lieutenant Al Carpio said, "We just had a free-for-all. Individuals took out baseball bats and tire irons and went after people's heads."

He said alcohol probably had been involved, and that the fight broke out as spectators left the Sun Bowl after Brigham Young's 37-24 victory.

The six who were to be booked on charges of aggravated assault included five men and one woman. Carpio said. Their names were not released, nor were those of the injured, although Carpio said they were between the ages of 35 and 40.

One was taken to Sierra Medical Center, where he was listed in stable condition, a nursing supervisor said late Saturday. The other was listed in stable condition at Beaumont Army Medical Center.

SCOREBOARD

Auto Racing

Australian Formula One Grand Prix

(AI) Australian (Australia)
33 laps, 100.000 miles (192.929 miles)
1. Gerhard Berger, Austria, Ferrari, 1 hour, 28 min. 56.44 sec. Average speed 124.44 mph.
2. Michael Schumacher, Italy, Ferrari, 1 hour, 29 min. 1.11 sec.
3. Thierry Bouts, Belgium, Benetton, 1 hour, 29 min. 1.11 sec.
4. Jonathan Palmer, Britain, Tyrrell, 1 hour, 29 min. 1.11 sec.
5. Alessandro Nannini, Italy, Benetton, 1 hour, 29 min. 1.11 sec.
6. Roberto Moreno, Spain, AGS, 1 hour, 29 min. 1.11 sec.
7. Christian Danner, West Germany, Zakspeed, 1 hour, 29 min. 1.11 sec.
8. Andrea De Cesaris, Italy, Benetton, 1 hour, 29 min. 1.11 sec.
9. Stefan Johansson, Sweden, Williams, 1 hour, 29 min. 1.11 sec.
10. Riccardo Patrese, Italy, Williams, 1 hour, 29 min. 1.11 sec.
11. Nigel Mansell, Britain, Williams, 1 hour, 29 min. 1.11 sec.
12. Kevin Tambay, France, Ligier, 1 hour, 29 min. 1.11 sec.
13. Jean-Louis Schlesinger, France, Ligier, 1 hour, 29 min. 1.11 sec.
14. Patrick Tambay, France, Ligier, 1 hour, 29 min. 1.11 sec.
15. Jacques Villeneuve, Canada, Williams, 1 hour, 29 min. 1.11 sec.
16. Yannick Allais, France, Ligier, 1 hour, 29 min. 1.11 sec.
17. Olivier Grouillard, France, Ligier, 1 hour, 29 min. 1.11 sec.
18. Jean-Marc Gounon, France, Ligier, 1 hour, 29 min. 1.11 sec.
19. Jean-Marc Gounon, France, Ligier, 1 hour, 29 min. 1.11 sec.
20. Jean-Marc Gounon, France, Ligier, 1 hour, 29 min. 1.11 sec.

Hockey

National Hockey League Standings

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NY Islanders 10 6 2 22 62 52
New Jersey 10 6 2 22 62 52
Philadelphia 10 6 2 22 62 52
Pittsburgh 10 6 2 22 62 52
NY Rangers 10 6 2 22 62 52
Boston Bruins 10 6 2 22 62 52
Montreal Canadiens 10 6 2 22 62 52
Quebec Nordiques 10 6 2 22 62 52
Toronto Maple Leafs 10 6 2 22 62 52
Winnipeg Jets 10 6 2 22 62 52
St. Louis Blues 10 6 2 22 62 52
Chicago Blackhawks 10 6 2 22 62 52
Detroit Red Wings 10 6 2 22 62 52
San Jose Sharks 10 6 2 22 62 52
Vancouver Canucks 10 6 2 22 62 52
Calgary Flames 10 6 2 22 62 52
Edmonton Oilers 10 6 2 22 62 52
Ottawa Senators 10 6 2 22 62 52
Buffalo Sabres 10 6 2 22 62 52
Columbus Blue Jackets 10 6 2 22 62 52
Florida Panthers 10 6 2 22 62 52
Atlanta Thrashers 10 6 2 22 62 52
Dallas Stars 10 6 2 22 62 52
Houston Astros 10 6 2 22 62 52
Los Angeles Kings 10 6 2 22 62 52
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